EUROPE'S BUSINESS NEWSPAPER

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Thursday October 18 1990

D 8523A

SCOTLAND
Glasgow reaps rewards of a cleaner image
Page 15

World News

Roadblocks force Renault to close five factories

A road blockade by striking Spanish truck drivers has forced Renault, the French state-owned carmaker, to close five factories and temporarily lay off 22,000 staff.

The truckers' protest, part of a strike by 30,000 independent drivers, is also causing a shortage of food on supermarket shelves. Page 3

Ukraine's PM quits

The prime minister of the Ukraine, the second most populous of the 15 Soviet republics, has been forced to resign after weeks of student and worker protests. Page 16; Russians set for showdown with Kremlin, Page 2

Paris pleas for Aoun

France called on Lebanon to let defeated Christian Maronite general Michel Aoun, who has taken refuge in the French embassy in Beirut, leave for exile in France.

Pressure on Singh

India's radical Hindu party, vital to keeping Prime Minister V.P. Singh's minority government in power, threatened to quit if thwarted over plans to build a temple on a site occupied by a mosque. Page 4

Turks cool to Nato

Turkey is expected to give a cool reception to Nato secretary general Manfred Wörner, who arrives in Ankara today, over the alliance's latest defence plan for its exposed southern flank. Page 4

Nobel science prizes

Three Americans and a Canadian won Nobel science prizes for finding one of the basic building blocks of life, and making new substances from natural products. Page 5

Korean talks split

North and South Korea displayed wide differences on how to improve relations during the first session of high-level talks in Pyongyang. Page 4

Mexico cleans up

Mexico launched a $2.5bn, two year programme to improve the deteriorating environment of the Valley of Mexico. Page 5

Kenya forges air link

Kenya, ignoring criticism from African National Congress deputy leader Nelson Mandela, said it is pressing ahead with plans to open an air link between Nairobi and Johannesburg.

Peru rebels kill 20

Maoist Shining Path guerrillas ambushed a pick-up truck with guns and bazookas near the northern town of Tingo Maria, killing all 20 passengers.

Dutch seize heroin

Dutch customs officers arrested two Turks trying to smuggle 30kg of heroin worth an estimated £17m into the Netherlands.

Software plan foiled

Taiwanese government agents raided a company that allegedly wanted to flood the North American and European markets with counterfeit copies of MS-Dos, the most common microcomputer operating system.

Yugoslavia changes

Yugoslavia's state presidency unveiled a plan to overhaul the federal organisation of the country. Page 2

Two more for Bhutto

Pakistan's caretaker rulers filed two more charges of abuse of power against Ms Benazir Bhutto, the former prime minister.

de la Genière dies

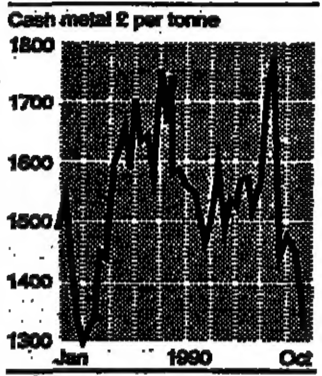
Renaud de la Genière, the chairman of Compagnie Financière de Suez, the French banking, insurance and industrial conglomerate, died of cancer, aged 65. Obituary, Page 3

Business Summary

Kleinwort Benson loses £34m in oil share sales

Kleinwort Benson, City of London investment banking group, yesterday lost £34m on the sale of a large block of shares in Premier Consolidated Oilfields. Half of Kleinwort's expected profits of £60m-£70m this year will be wiped out by what is believed to be the worst single trading loss in UK securities' history. Page 17; Lex, Page 16

COPPER: Three-month copper traded below £1,300 a tonne on the LME yesterday before closing at £1,306.50. Commodities, Page 32



COLOGNE RE, German reinsurance company acquired last year by France's Groupe Victoire, is pumping substantial additional capital into a reinsurance subsidiary, Europa Rückversicherung. Page 17

MANPOWER, US-based employment agency, has been asked to accept less than the £106m ($209m) agreed last week for the sale of five of its UK businesses. Page 17

MR WERNER REY, Swiss financier, has been approached to buy his stake of more than 40 per cent in Adia, employment and services group with strong European and North American presence. Page 17

JAPAN'S leading department stores have reported sales boosted by strong growth in consumer demand in the first half. Page 18

LONDON UNDERGROUND, one of the world's biggest public transport systems, warned it was facing a shortfall of £40m ($79m) by the end of March and ordered managers to make substantial savings to improve liquidity. Page 8

HANWA, steel trading company which turned itself into one of the most aggressive investors in financial markets in the 1980s, has suffered book losses of Y25bn ($197m) on its securities portfolio. Page 19

PHILIP MORRIS, US food, drink and tobacco group which recently bought Jacobs Suchard of Switzerland for $4.1bn, reported a 25.3 per cent increase in third quarter net income. Page 18

COCA-COLA, world's biggest soft drinks manufacturer, reported strong gains in third quarter sales and profits, in line with analysts' expectations. Page 18

US SENATE has begun debating a budget plan which would raise taxes on the better-off. Page 5

ANGLOVAAL group record lower profits in the September quarter than in the previous three months for its four gold mines. Page 20

ROMANIA has new legislation to remove obstacles facing foreign companies investing in the country. Page 3

JAPAN is on the verge of announcing a package of soft loans to China that will herald the formal return to business as usual. Page 4

UNITED Technologies, aerospace, automotive and building products group, announced a 22 per cent increase in third-quarter net income, helped by a gain on the sale of two Italian automotive companies. Page 18

US refuses to link Kuwait with Arab-Israeli conflict

By Lionel Barber in Washington

THE BUSH administration yesterday rejected Iraqi efforts to link the invasion of Kuwait with a resolution of the Arab-Israeli conflict, declaring that President Saddam Hussein "must fail" before peace could be assured in the Middle East.

In testimony to the Senate Foreign Relations committee, Mr James Baker, US secretary of state, said: "Every hope for peace in this conflict-ridden region depends on stopping Iraq's aggression and ultimately reversing its capacity for future aggression."

Mr Baker's comments reflect official unease that the recent shooting of Palestinians in Jerusalem, coupled with the international outcry, has shifted attention away from Iraq's aggression against her neighbour. "Saddam is not raping Kuwait to advance the Palestinian cause," he said.

In his testimony, Mr Baker repeatedly rejected the "siren song" of a "partial solution" to the Gulf crisis whereby Iraq would withdraw its invasion forces in exchange for strategic islands lying off Kuwait. Such a deal would be unprincipled and would amount to "self-defeating appeasement", he said.

The committee's response was supportive, although both Republicans and Democrats raised fears about the increasing likelihood of war. Congress is due to go into recess later this month until January, precisely the time when many analysts believe US forces should be ready to take offensive action if required.

Several committee members said any broad military action against Iraq required authorisation from Congress rather than consultation. Mr Baker's response was lukewarm, but he said President Bush remained committed to consulting congressional leaders.

Mr Baker said more than 54 countries had contributed or had offered to contribute financial or military aid to the US-led coalition against Iraq. US efforts to drum up support had produced commitments of more than $20bn.

The three Gulf states of Saudi Arabia, Kuwait and the United Arab Emirates had agreed to contribute more than $12bn this calender year; Japan had pledged $4bn – "and we hope to see that commitment fulfilled promptly and in a form immediately usable".

Mr Baker also pledged to secure further aid from Saudi Arabia, which had received a huge financial windfall as a result of recent oil prices and its increased oil output.

Throughout his testimony, Mr Baker was careful to avoid spelling out under what conditions the US would take offensive military action against Iraq, emphasising that US objectives were to defend Saudi Arabia and deter further Iraqi aggression.

However, he added: "If there were a provocation that the president deemed a sufficient threat to American citizens or to the lives and welfare of American citizens, I think ... that would require an appropriate response."

Senators said they were concerned that there might be a "manufactured incident" which could lead to a unilateral US response. Senator Paul Simon, an Illinois Democrat, warned Mr Baker that Congressional support for the Gulf build-up did not amount to a "blank cheque".

Middle East, Page 4

Hurd's peace mission founders

By Hugh Carnegy in Jerusalem and Michael Littlejohns in New York

THE VISIT to Jerusalem by Mr Douglas Hurd, the British foreign secretary, was plunged into disarray yesterday when a group of senior Palestinians from the occupied territories cancelled a meeting with him which had been intended as a key element of his trip.

The 28 Palestinians angrily objected to Israeli media reports quoting Mr Hurd as saying that Britain was opposed to an independent Palestinian state.

They also accused Mr Hurd of denying the legitimacy of the Palestine Liberation Organisation and of offering Israel a compromise on its refusal to accept a United Nations mission to investigate the killing of 20 Palestinians by Israeli police in Jerusalem last week.

British foreign secretary Douglas Hurd visits Palestinians at a rehabilitation centre in the West Bank town of Beit Jalla during his three-day stay in Israel

Mr Hurd denied that he had rejected a Palestinian state in remarks on Tuesday in a private meeting with Israeli MPs. But the Palestinians were unmoved, leaving the foreign secretary's visit embarrassingly unbalanced as he lost the chance to speak to leaders of the nearly three-year-long Palestinian uprising against Israeli rule.

The Palestinians were evidently disillusioned that Mr Hurd's criticisms of Israeli policy before he arrived were replaced, in public at least, by warm exchanges with Israeli ministers once in Israel.

Mr Saeb Erakat, an academic, speaking at a heated press conference, said: "In Jordan he wants to satisfy the Jordanians, in Egypt he wants to satisfy the Egyptians and here he wants to satisfy the Israelis."

Mr Hurd said he greatly regretted that both he and the Palestinian side had lost the opportunity to exchange views. In a mark of his frustration he said: "It is an illustration, ladies and gentlemen, of the chasm in this city that I spent yesterday hearing from Israelis about how unbalanced the [UN] resolution was and today receiving from Palestinians criticism of it from exactly the opposite point of view."

The incident underlined how the Gulf crisis has complicated the Arab-Israeli conflict. While

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Middle East, Page 4

Li found guilty on two charges of shares corruption

By John Elliott and Angus Foster in Hong Kong

MR RONALD LI, former chairman of the Hong Kong stock exchange, was yesterday found guilty on two charges of corruption linked to preferential share allocations. He will be sentenced this morning, almost exactly three years after the world markets crash which helped to bring him down.

The trial had been described locally, and had received as much publicity, as this year's Guinness case in London. Mr Li faces up to seven years in jail and HK$500,000 ($64,000) in fines on each count.

International attention focused on Mr Li with his controversial four-day closure of the exchange immediately after the crash. However, the Financial Times has discovered that investigations had begun five months before – when a senior official who is still in place at the exchange secretly reported Mr Li's corrupt share dealings to the government.

Although it has never been announced, this official has been given immunity from prosecution in cases which will now continue with a further corruption trial next February – also involving allegedly improper share allocations.

He cannot be named because the Hong Kong ordinance governing corruption prevents details of ongoing investigations from being revealed.

At next year's trial Mr Li and seven other defendants linked with the stock exchange, including his son Alfred, each face up to eight charges. Five of these involve allegations of accepting preferential share allocations similar to those on which Mr Li was convicted.

Mr Li's conviction will be seen as a boost for Hong Kong's image an as internationally important regional financial centre with services that include a legal system able to cope with commercial crimes.

This has sometimes been in doubt and the colony's legal department has been facing a series of crises. Many sceptics have speculated that Mr Li, who was arrested in January 1988, would never be found guilty.

The jury of seven people - three women and four men, all ethnic Chinese - took eight and

Continued on Page 16
Details, Page 5

Investment group plans fund to tap Soviet potential

By Stephen Fidler in London

A FUND expected to channel up to $1bn in western investment into the Soviet defence industry is being set up in one of the first tangible signs of Soviet plans to open up the the creative potential of its defence industry complex.

The fund, expected by its sponsors to raise between $400m and $1bn, is to be created under an agreement between the Soviet State Commission on Military Industrial Production and Batterymarch of the US, an investment management company.

Investors are to be restricted to industrial companies mainly in the US, Europe and Japan with an interest in 10 industries, expected to include civilian airframe and air engine manufacturing, pharmaceuticals, optics, metallurgy, medical systems, and communications. Mr Dean LeBaron, founder and trustee of the Boston-based Batterymarch, said the first investments could be being made by next year.

New companies are expected initially to be set up as subsidiaries of the big defence industry combines and the fund under the Soviet Union's new joint venture law.

Mr Vladimir Petrovsky, Soviet deputy foreign minister, described the fund as "a concrete example of the fruitfulness of a policy aimed at shaping a new model of international security". But, in a statement in New York, he added: "It would be a mistake to expect that this process will run smoothly and without problems." Difficulties would probably arise primarily in transforming the formerly strictly defence production facilities to meet wider civilian needs, achieving cost-effectiveness and retraining personnel, he said.

Mr LeBaron said the fund was expected to have a three-year life, after which investors would be expected to have made their own decisions on the way to progress with their Soviet partner. Investments would be a minimum of $20m and Credit Suisse Luxembourg would be the custodian. Two investors – those committing the largest resources – would be chosen in each sector.

His initial soundings of international companies indicated significant interest in the project, he said. Initial emphasis would be on those industries which would generate foreign exchange.

Highland to take 25% stake in Rémy Cointreau shareholder

By Philip Rawstorne in London

HIGHLAND Distilleries, maker of The Famous Grouse, the UK's second best-selling Scotch whisky, is to pay £75.9m ($149m) for a 25 per cent stake in Orpar, the controlling shareholder of Rémy Cointreau, the French cognac, champagne and liqueurs group.

The move follows the example set by international drinks groups such as Guinness and LVMH, Allied-Lyons and Suntory in combining their brand portfolios and distribution networks to achieve greater penetration of export markets.

Mr John Goodwin, Highland's chairman, said yesterday that the investment would help to develop The Famous Grouse into a major international brand through Rémy Cointreau's distribution network. "This represents the single most important step taken by Highland in achieving direct involvement in the marketing of its own brands outside the UK."

Rémy has been distributing The Famous Grouse and Highland's malt whisky brands in France for two years and trading arrangements have now been extended to other overseas markets.

Exports account for only 27 per cent of The Famous Grouse's annual sales of 2m cases, compared to 85 per cent for the Scotch whisky industry as a whole.

Rémy said yesterday that Highland's brands of premium Scotch whisky had filled an important gap in its drinks portfolio which includes Rémy Martin cognac, Krug and Heidsieck champagnes and Cointreau liqueurs, and would strengthen the group's position in the drinks markets.

Under the terms of the deal, Highland proposes to acquire £59.4m of 6 per cent convertible bonds falling due in 2005, equivalent to 20 per cent of Orpar's ordinary share capital. This will be financed partly by the sale of Highland's 12.7 per cent stake in Macallan-Glenlivet, another Scotch malt whisky distiller, to Orpar for £31.4m. The balance will be paid in cash.

Highland and its related company, Robertson & Baxter, a Scotch whisky blender, propose also to invest £14.9m each in a joint venture company, HRB Investments. This will acquire another FFr296m ($57.6m) of bonds, convertible into a further 10 per cent of Orpar's share capital.

Highland will also buy Glenturret, Orpar's malt whisky distillery at Crieff in Scotland, for £1.6m. Highland will raise £30.1m of the cash it needs through borrowings in French francs and will provide the remaining £14.4m from its own £25m cash resources.

To cement Orpar's relationship with Highland, it has also been agreed that the Hériard Dubreuil family, which controls Orpar may acquire up to 10 per cent of Highland's shares in the market. As a result of the deal, Orpar will hold a 26 per cent stake in Macallan-Glenlivet, whose Macallan malt whisky it distributes. It has given assurances that it has no present intention of making a bid for Macallan or disposing of its shareholding.

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Romania braces itself for a public outcry over price reform

Romania's prime minister Petre Roman is about to take an enormous risk. The prospect of strikes cannot be ruled out and it is likely that the government's popularity will plummet.
Page 3

MARKETS

STERLING
New York: $1.9820 (1.9650)
London: $1.9650 (1.957)
DM2.9700 (2.985)
FFr9.9475 (9.9325)
SFr2.50 (2.5025)
Y246.0 (249.0)
£ index 95.0 (95.0)

GOLD
New York: Comex Dec $369.8
London: $366.75 (362.5)

N SEA OIL (Argus)
Brent 15-day Dec $36.0 (36.775)

Chief price changes yesterday: Page 17

DOLLAR
New York:
DM1.51225 (1.5105)
FFr5.0680 (5.0625)
SFr1.2720 (1.27505)
Y127.20 (127.505)
London:
DM1.5110 (1.5155)
FFr5.0625 (5.075)
SFr1.2725 (1.2785)
Y125.20 (127.2)
$ index 60.1 (60.5)
Tokyo close: Y125.80

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills: yield: 7.40%
Long Bond: 98$\frac{2}{8}$
yield: 8.88%

STOCK INDICES
FT-SE 100: 2,068.0 (−15.6)
FT Ordinary: 1,600.8 (−12.5)
FT-A All-Share: 1,001.31 (−0.7%)
New York: DJ Ind. Av. 2,387.87 (+6.68)
S&P Comp 300.65 (+1.73)
Tokyo: Nikkei 23,859.36 (+253.26)

LONDON MONEY
3-mo interbank close: $13\frac{31}{32}$-$13\frac{13}{16}$% ($13\frac{7}{8}$-$\frac{3}{4}$)
Life long gilt future: Dec 83$\frac{3}{4}$ (same)

EUROPEAN NEWS

Gorbachev holds the cards in showdown with Yeltsin

By Leyla Boulton in Moscow

THE Russian Federation is heading for an imminent showdown with the Kremlin over economic reform. But there are increasing doubts over how far the hugely popular Russian leader, Mr Boris Yeltsin, can dictate policy to Mr Mikhail Gorbachev, the Soviet president.

Mr Yeltsin warned on Tuesday that the Soviet Union's largest republic could adopt its own currency, customs, army and banking system as a result of Mr Gorbachev's failure to embrace a radical market reform programme.

But Mr Gennady Filshin, a Russian deputy prime minister, said yesterday that Russia did not want to leave the union and would try to implement as much as possible of the radical 500-day Shatalin plan on its own – such as wholesale privatisation.

It would couple limited reforms with continued pressure on the centre for radical concessions, including the second option outlined by Mr Yeltsin – the formation of a new Soviet coalition government taking in radical reformers, he said.

As he spoke, Mr Grigory Yavlinsky, another Russian deputy prime minister who is one of the fathers of the radical reform programme, announced he was resigning because it was impossible for Russia to implement the 500-day programme on its own.

To a certain extent, the Russian parliament's own acquiescence to earlier meat and grain price rises has already torpedoed much of the anti-inflation strategy of the Shatalin plan.

But even Russian privatisation plans, as Mr Filshin agreed, are likely to run into trouble from the centre because of a recent presidential decree banning unlawful seizures of state property. This could become an issue if Russia tried, for example, to sell all-union factories on its territory.

Mr Sergei Alexashenko, a government economist who is one of the authors of the 500-day programme, said he believed that Mr Yeltsin was more likely to choose the third option which he outlined to the Russian Parliament on Tuesday. This was simply to wait six months for the compromise programme presented by Mr Gorbachev to fail, and then to pick up the pieces from a stronger position.

"It will take two, three, to four months for hyperinflation to appear," he said, adding that simmering social tensions could explode as a result.

Despite the opposition of the Russian Federation, a Baltic boycott of the plan, and renewed pro-independence pressure from the Ukraine, the Soviet parliament is expected to approve the programme after a formal presentation by Mr Gorbachev on Friday.

One reason it will find overall support is because it is so vague that it gives republics the impression they will have room to manoeuvre and adopt their own plans.

It is, however, unlikely to make any difference as to whether the Balts or the Ukrainians secede from the union, since they are already determined to do so.

In the meantime the various Soviet republics are likely to continue to weave their own bilateral economic agreements, fumbling their way towards a market economy in a looser confederation of republics.

It remains to be seen how many republics can be convinced to sign a proper union treaty, formalising their relations with the centre. The Ukrainian parliament, for one, has already decided it cannot sign a union treaty until it adopts its own constitution, while the Russian Federation is likely to stall in doing so until it achieves satisfaction on the economic front.

The Soviet Communist Party, its membership down by 600,000 and its revenues in decline, will have to delve into reserves to subsidise nearly all its local organisations, a member of the party's Politburo said yesterday, *Reuter reports from Moscow.*

Mr Oleg Shenin confirmed earlier estimates that the party faced a deficit of well over a billion roubles (£1bn at the official exchange rate).

EC countries back majority voting plan

By David Buchan in Brussels

EUROPEAN Community governments broadly support proposals to let more Euro-legislation pass the Council of Ministers by majority vote and be amended by the European parliament, and to make the EC's executive Commission more accountable.

This emerges from a report by the Italian presidency of the EC on preparatory discussions among senior diplomats of the Twelve about political union. The report, which follows one on foreign policy and defence co-ordination, will go to EC foreign ministers meeting next Monday and a few days later to EC leaders meeting in Rome.

The report, which seeks to fulfil the often conflicting goals of improving efficiency and democratic accountability in EC decision-making, will disappoint the European parliament. Its directly elected 518 members have overwhelmingly asked for "co-decision" with the Council of Ministers, which is composed of the EC's 12 governments, but the governments are divided on whether the parliament should be empowered to kill, rather than just change, legislation.

Another disappointment for the parliament, whose leaders are to meet foreign ministers next Tuesday to discuss the December inter-governmental conference on political union, is that a minority of governments back giving the parliament the right to initiate legislative proposals. Nearly two months before real negotiations start, the balance of opinion among the 12 governments appears to be that:

- Majority voting in the council, with the parliament able to amend, should be extended as the standard way of legislating in the Community, with few exceptions. At the moment, tax and some environmental and labour market proposals require unanimity.
- The parliament, which has some power to summon commissioners, but not government ministers, might be given a right of inquiry – but not legislative initiative – on matters of Community interest.
- Nominees for the president and other members of the Commission could be subjected to parliamentary approval, before getting final confirmation by governments.

The Italian presidency has suggested that governments should continue to consider how national parliaments might be "appropriately involved" in the EC decision making, though most countries feel it is for them to decide individually how much they care to involve their national MPs in the scrutiny, if not the making, of EC decisions.

Brussels in drive to aid women

By Lucy Kellaway in Brussels

THE European Commission is to crack down on all abuses of sexual equality laws and has set aside Ecu150m (£82.8m) for professional training schemes for women, as part of its initiative to promote equality of opportunity.

The Commission is increasingly concerned that its efforts have not succeeded in giving women equal opportunities. Some 12 per cent of women are unemployed in the Community, compared to 7 per cent for men, while women make up the majority of the EC's long-term unemployed.

Brussels' new plan aims to strengthen the effectiveness of existing laws by conducting studies to find out where the worst abuses are taking place.

It will use the money to help women get better qualifications and return to work after an absence, finance childcare facilities, especially in depressed areas, and encourage companies to give women a greater chance to succeed.

Ms Vasso Papandreou, the commissioner for social affairs, said yesterday that the growing need for qualified workers into the next century made the existence of a pool of skilled women more important.

Volvo chairman warns over economy

By Robert Taylor in Stockholm

VOLVO'S chairman and Scandinavia's leading industrialist Mr Pehr Gyllenhammar yesterday attacked the famed Swedish economic model as a "living lie".

In an article in Sweden's national newspaper Svenska Dagbladet he warned that the country's cost crisis was "now a fact" and that higher investment and savings were needed, as well as more work and lower wage levels, to revive Sweden's stagnating economy.

He said Sweden's productivity performance over the past 15 years was among the worst in the industrialised world: "We thought we could pursue our own domestic policies ,isolated from other countries. But we are only a small part in a large picture."

He criticised the huge Swedish public service sector, the high level of sickness absenteeism, and the general, but mistaken belief among Swedes that they are better off than others.

He also attacked Sweden's traditional foreign policy and said the country had spent too much time and effort cultivating relations with Third World countries and neglecting its European neighbours.

Mr Gyllenhammar suggested that Swedes should drop their old illusions, encapsulated in the concept of the Swedish Model. "We are being influenced by the dramatic changes in our outside world and being forced to respond with a new tempo," he added.

The time had come for Swedes to cast off the "living lies" of the Swedish Model and liberate themselves through deregulation of their economy and decentralisation of decision-making.

Saab-Scania under fire for closure plans

By John Burton in Stockholm

SAAB-SCANIA, the Swedish vehicle and aerospace group, yesterday was confronting a political backlash in both Norway and Sweden in response to its recent plans to close production facilities in the two Nordic countries as a result of huge losses in its car operations.

Mr Petter Thomassen, the Norwegian Industry Minister, announced that he would recommend cancelling a contract with Saab-Scania for the supply of 1,600 trucks to the country's armed forces following a decision by the company to shut down a vehicle component plant in Halden. "We take the matter very seriously," said Mr Thomassen, who explained that the closure of the wiring harness factory would exacerbate unemployment problems in the region, which has a jobless rate of 11 per cent. He added that the establishment of Halden facility was one condition for Saab-Scania getting the contract.

The factory is under the management of Saab Automobile, the joint venture between Saab-Scania and General Motors. Saab Automobile, which reported this week a loss of SKr2.1bn ($19.2m) for the first eight months of 1990, is closing down the plant as part of a move to rationalise its production and save costs.

Meanwhile, Mr Rune Molin, the Swedish Industry Minister, threatened to withdraw a SKr1.2bn state loan for the development of a new commuter aircraft by Saab-Scania after it announced that proposed plans to build a new car engine factory in the economically-depressed city of Karlskrona would probably be scrapped. The company explained the plant was not needed now due to falling car sales.

Saab-Scania received the loan for the Saab 2000 aircraft last November after it promised to build the plant, which would provide 500 jobs. Half of the loan has already been given to the company.

But Mr Molin tempered his threat by adding that if Saab-Scania could provide other means of employment in the city, then the rest of the loan would be paid and the company would not have to repay the amount already received.

French banks cut base rates

FRENCH banks will today cut base rates by 0.15 of a point from 10.5 per cent to 10.35 per cent, writes William Dawkins in Paris. The move follows the Bank of France's decision to lower its compulsory reserve levels, so trimming commercial banks' costs. These are deposits which commercial banks must keep at the central bank, without collecting interest, in proportion to their deposits.

The rate cut is smaller than the quarter of a percentage point expected by financial analysts, because some banks already felt that rates were low.

The impact on the overall cost of credit will be limited, since 30 per cent cent of the top banks' loans are fixed with reference to base rates.

Irish trade deficit

The Irish economy, after three years of buoyancy, is now feeling the effects of the downturn in the UK and elsewhere, writes Kieran Cooke in Dublin.

In August, for the first time in four years, Ireland recorded a trade deficit of I£35.7m ($20.4m), against a I£2.3bn surplus last year.

While there is still an accumulated trade surplus for the first eight months of 1990 of I£55m, the latest figures are suggest the the economy is slowing.

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Federal plan for Yugoslavia mooted

By Laura Silber in Belgrade

YUGOSLAVIA'S state presidency yesterday unveiled a plan to overhaul the federal organisation of the country.

The proposals, presented at the start of a three-day parliamentary session, reflect deep divisions in the eight-member state presidency as well as throughout the country.

The plan suggests that all the seats in one of the two chambers in the federal parliament would be openly contested, while the six republics would get an equal number of seats in the other chamber, regardless of their size.

Serbia, Yugoslavia's biggest republic with a population of over 9m, is the strongest supporter of this federal option. If it were accepted, Serbia would almost certainly dominate one of the chambers.

But the plan is opposed by the western republics of Slovenia and Croatia. The two republics, which together have 7m people, fear domination by Serbia. Both have already proposed their own plan for a confederation anchored on "an organisation of sovereign states based on mutual agreement".

Croatia and Slovenia have threatened to secede if a confederal option is not adopted. The new plan for a federal Yugoslavia rules out such an option, which would formally put an end to present-day Yugoslavia.

Instead, the presidency says that Yugoslavia's external borders cannot be changed without the consent of all six republics. Borders between republics could be altered with the republics' agreement.

Romania removes blocks to new foreign investment

MANY obstacles facing foreign companies investing in Romania under the former Ceausescu regime, have been, or will soon be, removed, following new legislation drawn up by the Romanian government, Judy Dempsey, recently in Bucharest, reports.

The legislation, aimed at attracting much-needed capital into a country starved of investments since 1982, will put foreign investors on an equal footing with their Romanian counterparts. The legislation appears relatively liberal over the repatriation of hard currency profits. For instance, foreign companies will now be permitted to:

● set up jointly with a local enterprise, or alone, a company in Romania;

● be exempted from tax on profits for the first two years. The finance ministry will have the discretion to approve a 50 per cent decrease in tax on profits for the next three years. The annual tax will be set at 30 per cent;

● taxes on profits will be reduced by 50 per cent if profits are invested in the company or in any other company with Romanian participation;

● profits made in lei, the currency, can be transferred abroad, after a 50 per cent levy;

● profits earned in hard currency can be repatriated but will be subject to a 10 per cent tax in addition to tax on profits.

Mr Eugen Dijmarescu, economics minister, says the legislation should pave the way for opening up Romania to the international economy. But the government, which is eager to attract foreign investments, has had a rough time pushing through parliament even less ambitious legislation. Mr Dijmarescu says:

"There is no turning back with this legislation. We need foreign capital and we must make the conditions right for foreigners."

But parliament, dominated by the National Salvation Front, is not only inexperienced; after years of propaganda, there remains deep suspicion about opening up to foreign capital. Furthermore, the Front, which won a landslide victory in the elections last May, is now split into several incoherent groups. A strong conservative faction, reluctant to open the country to foreign investment, prevails.

A hint of the difficulties confronting the government came earlier this month, when deputies were about to vote on whether or not the management boards of joint-venture or foreign-owned companies should be equally divided between Romanian and foreign representatives.

The Hungarian Democratic Alliance, the country's second largest party, walked out of parliament on the grounds that such an arbitrary division would discourage non-Romanians from investing.

Bucharest forced down the road of price reform

Judy Dempsey on a controversial plan to revitalise an economy beset by persistent shortages

SHAMPOO is a much-valued commodity in Romania today.

Chemists say they do not have the materials to supply the market. Production staff speak of antiquated technology and the poor distribution network. Consumers complain about the shortages and the miserable quality.

It was no surprise to this correspondent, therefore, to find that on returning to the hotel half my bottle of shampoo had been siphoned off and the remainder diluted.

The shortages will continue, and worsen over the next two weeks because from today shops throughout Romania will be bombarded with customers attempting to stock up on already meagre supplies of goods before November 1.

On that day, almost all prices will increase by between 100 and 120 per cent. The government is bracing itself for a public outcry.

Mr Petre Roman, the prime minister, and his team of 23 young technocrats, is taking an enormous risk. Strikes cannot be ruled out. It is likely that the government's popularity will plummet. "But there is no alternative," says Mr Dijmarescu, the economics minister.

The price rises and other reforms, to be presented today to parliament, include:

● Devaluation of the currency by a further 80 per cent. In January, the lei was devalued from 18 to 21 to the dollar. Today, it will be further devalued to 35 to the dollar.

● Prices – except for meat, bread, heating and electricity – will rise by between 100 and 120 per cent. The government will attempt to offset the rises by an increase in some salaries and pensions. The minimum wage will be set at around 2,300 lei a month ($95 at the new exchange rate).

● Managers will be free to decide on the wage policy in their own enterprises, and will be able to set pay levels above the minimum.

● Energy subsidies for industry will be reduced to try to bring them into line with consumer prices. At present, industry pays 0.40 lei per kilowatt while the consumer pays 0.65 lei.

● The special rate of 2.40 lei per litre of petrol for trucks and tractors has already been raised to 12 lei, again in line with what the consumer pays for running a family car.

The government is embarking on this radical programme because it believes it no longer has the option or the financial means to continue to subsidise goods or pay for imports.

Imports of consumer goods have risen by more than 28 per cent compared with last year, and imports now account for 56 per cent of goods on offer.

Every month the government is paying out about 30bn lei in subsidies and other expenditure, while the population's total income is only about 26bn lei, comments Mr Dijmarescu. "We are now running a deficit of about $1bn every three months. We simply cannot afford to continue."

Despite the government's

Petre Roman: enormous risk

commitment to keeping the population supplied with basic goods since last January, shortages have persisted.

One of the reasons is the fall in industrial production, which has declined by at least 20.6 per cent over the first nine months of this year compared with the same period last year. The annual fall in production is likely to reach 60 per cent.

There are several reasons: the dislocation following the overthrow last December of the former Ceausescu dictatorship; an industrial base starved of capital investment and raw materials; strikes, particularly since May; and to compound matters, the inefficient distribution network, poor storage facilities, theft and red tape.

Mr Dijmarescu adds to the list. He says shortages in shops are more acute because enterprises can now sell products directly to employees and consumers. "People complain about the shortages of shoes. I know of one example where a person bought 700 pairs of shoes directly from the factory. These shoes are not sold to the shops. Instead, they find their way into the private or black economy where the customer, instead of paying 500 lei, will pay at least 1,000 lei."

The pending law on privatisation, which will allow shop managers to buy the premises, has led shop managers to run down their stock in order to reduce their assets, says Mr Dijmarescu.

These explanations carry little weight for the tired consumers who spend long hours queueing for scarce goods. What they see is the dark side of the private economy.

Traders, who mostly buy poor quality jeans and cosmetics in Yugoslavia and Turkey, return to Bucharest, set up private shops and sell these goods at three times the official price. The upshot is that the consumer feels robbed, particularly since the goods are shoddy.

Mr Dijmarescu and Mr Adrian Severin, the minister responsible for privatisation and reform, reckon that this is giving privatisation and the market economy a bad name. "These traders think in the short term. They want to make a quick buck and a high turnover in the shortest period of time. That is why we have to act fast. The liberalisation of prices will increase competition," says Mr Severin.

To sweeten the price rises, the government will continue to subsidise bread, meat, electricity and heating. Between November and next March, the government will require $800m to meet these subsidies and imports. That is the easy part. The difficult part starts today when Mr Roman attempts to persuade parliament, and the population, that without price reform, the road towards the market economy will be confined to rhetoric.

Brussels to widen trade favours in E Europe

By Lucy Kellaway in Brussels

THE European Commission decided yesterday to include Bulgaria, Czechoslovakia and Romania in its system for giving favourable trade terms to developing countries.

The decision will bring these three states into line with Poland and Hungary, which were granted improved trade terms with the EC last December. The scheme is also to be made more generous, taking into account effects of German unification.

The Generalised System of Preferences for 1991 will cover some Ecu28bn (£19bn) of exports from developing countries, and will save them some Ecu1bn in terms of waived EC import duties.

The quantity of goods covered will rise by some 13 per cent compared to this year, and will apply to all manufactured goods not covered by special sectoral arrangements.

It will also apply to certain agricultural products with particular importance to developing countries, like coffee, tinned pineapples and cocoa.

The EC's plans for 1991 represent the last year of the existing scheme for extending trade favours to developing countries, and are likely to be followed by a drastic overhaul of the system from 1992.

The Commission is worried that in its present form the Generalised System of Preferences has outlived its usefulness, as world trade has continued to become more open.

The system will also be extended to cover Namibia and Mongolia; it also will include new measures to help Latin American countries fight against the drug trade.

SPANISH STRIKE DISRUPTS CAR PRODUCTION

Renault forced to halve its output

By William Dawkins in Paris and Peter Bruce in Madrid

RENAULT, the French state-owned car producer, has been forced to shut down five plants, affecting half the group's output, because of a shortage of parts that are being blocked in Spain by a strike of 30,000 independent Spanish truck drivers.

The closures, caused by failures in the delivery of engines from Valladolid and gear boxes from Seville, put 22,000 Renault workers on reduced pay for at least the next two days.

Peugeot disclosed meanwhile that its plant near Madrid, producing 205 hatchbacks and the 309 saloon, had been temporarily shut down as well. A Citroen plant in Galicia has been affected and General Motors and Volkswagen were last night also considering running down production in their big Spanish factories.

Peugeot said yesterday that its Madrid plant would open next Monday at the earliest. Renault said that the closure of its Valencia plant yesterday would be followed by closures at works at Flins and Douai in northern France, Billancourt just outside Paris and Vilvoorde, in Belgium. The move stops production of 3,750 mainly middle-range cars daily.

A Renault official said the shortfall could be made up within weeks of the strike ending, a task made easier by the current stagnation in the European car market.

The four-day strike, in protest at a 24 per cent rise in the price of diesel fuel since the start of the Gulf conflict, began to strangle Spain yesterday, forcing the Government to agree to negotiations later today.

The truckers had blocked roads at 109 points around Spain, causing dire shortages of fresh food in the Basque Country, Catalonia, Asturias, Galicia and Andalucia.

Some food prices rose more than 30 per cent in just a few days, threatening to derail the government's already distended inflation target for the year. Service stations are rationing fuel as supplies fail to get through, and some steel and chemicals plants in the Basque Country and Andalucia have closed down.

A serious shortage of animal feed was also said to be threatening the lives of 7m chickens in La Rioja, the wine-producing region.

Traffic between Spain and its two neighbours came to a virtual standstill at one point, and police made dozens of arrests among picketing truckers.

The government is hoping to meet with the truckers later this morning, in return for which the strikers began dismantling pickets late yesterday. Some 400 were fined up to Pta100,000 ($1,100) each and their licenses were taken away.

In addition to rising fuel prices, the well-organised strikers – none of whom belongs to the large official truckers' unions – also complain that the government is not imposing minimum tarrifs outlined in 1987 legislation and is allowing unlicensed moonlighters to enter the business.

More than 80 per cent of Spain's goods are moved about the country by road. Madrid, which has insisted so far that the effect of rising oil prices must be passed on to consumers, may now be forced to find subsidies for diesel. The strikers also want pensions at 60 and health support schemes.

Spain to lift capital controls in 1991

By Peter Bruce in Madrid

THE Spanish government now seems certain to begin lifting the country's last controls on capital movements early in 1991, more than a year before the 1993 deadline agreed with its European Community partners.

Mr Pedro Perez, the secretary of state for planning in the Finance Ministry, said yesterday that, while a definite calendar had not yet been drawn up, the first movements could begin soon after the new year.

He said timing depended on when the administration ended stiff restrictions on commercial bank lending that have been in force since late last year. These, the government believes, have helped reduce demand for credit to below 10 per cent in the last few months.

At these levels, Mr Perez said, only "something extraordinary" would stop the authorities lifting the restrictions at the end of the year.

Once the credit limits were lifted, the government should quickly be able to abolish a rule forcing private borrowers of foreign currencies to deposit 30 per cent of the loan, interest free, with the Central Bank.

He said freedom for Spaniards to open accounts outside Spain would also be a logical consequence of such a move.

Treuhand urges sale of spare company land

THE TREUHAND, the body charged with privatising east German industry, has told the nearly 8,000 companies under its control to sell or rent all land not being used for business purposes, writes David Goodhart in Bonn.

Lack of suitable property is still regarded as one of the biggest obstacles to new investment in east Germany.

The Unity Treaty between the two Germanys ruled that the priority given to returning nationalised property to former owners should be superseded where land was required for business investment.

The former owners would then receive compensation from the state.

This ruling should help, but businessmen still complain about confusion in administering the sale of land. The different levels of local government – the communes, towns and newly formed states – are also arguing with the Treuhand about the ownership of public land.

● Klöckner-Moeller, the Bonn-based electronics group, has reached agreement in principle with the Treuhand to acquire the east German electronic and electro-mechanical controls group Erfurt Electronic.

About 1,000 of the 2,000 workers will lose their jobs. It is not yet clear whether Klöckner-Moeller will pay a takeover price to the Treuhand or pay in the form of a future investment pledge.

Obituary: Renaud de la Genière

The French banker who confounded his sceptics

RENAUD de la Genière, chairman of Compagnie Financière de Suez, the French banking, insurance and industrial conglomerate, who died of cancer on Tuesday, was a pillar of the French establishment.

Quietly spoken and gentlemanly, Mr de la Genière, 65, was a classic product of the French élite. Mr de la Genière was one of the first products of the Ecole Nationale d'Administration, the school for top civil servants. He started his career in the finance ministry, where he was budget director from 1966 to 1974. He then became deputy governor of the Bank of France, becoming governor in 1979 and seeing through the difficult early years of the socialist government in the 1980s, when the franc was devalued three times.

He was "a great servant of the state", said Mr Bernard Tricot, a Suez board member and civil service colleague. "He did all he could, while remaining perfectly loyal to the government, to prevent the franc from suffering the consequences of a policy which he criticised."

Mr de la Genière's appointment in 1986 as chairman of Suez, then state-owned, raised eyebrows in merchant banking circles. Sceptics argued that the transition from central banking to investment banking would be too much of a challenge. Yet Mr de la Genière – who was still usually referred to as "the Governor", even by close colleagues – calmly steered Suez through a successful privatisation on the very eve of the October 1987 stock market crash.

He argued that defending Suez's share price was not very different from defending the franc at the Bank of France, and that the management problems of a group like Suez were no worse than managing France's hordes of tax inspectors at the budget office.

He guided Suez through two ferocious takeover battles, for control of Société Générale de Belgique (SGB), the Belgian industrial conglomerate two years ago and last year masterminded Suez's bid for Victoire, the insurance group, in what was France's biggest takeover.

Portugal controls spending

By Peter Wise in Lisbon

PORTUGAL'S 1991 budget aims to balance increased investment in modernisation with tight controls over current spending to prepare Portugal for European integration, according to Mr Miguel Beleza, the finance minister.

He said substantial increases in spending in areas such as public works, education and health would be offset by freezing most ministerial administrative budgets to zero growth. He forecast a budget deficit of Es613bn ($4.4bn), representing 6.3 per cent of Gross Domestic Product, down from an expected 6.5 per cent this year.

The government believes the budget is compatible with a reduction in inflation from an expected 13.25 per cent this year to 10.75 per cent in 1991.

Mr Beleza forecast that growth would slow from 4 per cent this year to 3.5 per cent in 1991. The reduction in the budget deficit, to 6.3 per cent of GDP from 6.5 per cent this year, would be achieved through a forecast increase of 19.4 per cent in tax revenue to Es2,265bn.

THE MIDDLE EAST

Hurd falls victim to diplomatic trip-wire

By Hugh Carnegy in Jerusalem

THE chaotic disintegration yesterday of Mr Douglas Hurd's programme during his visit to Israel and the occupied territories was an embarrassing example of how easily even so confident a diplomatist as the British foreign secretary can be wrong-footed by the Arab-Israeli conflict.

Mr Hurd, the most senior foreign politician to visit Jerusalem since the onset of the Gulf crisis, faced a sensitive task. Arriving a week after the killing by Israeli police of 19 Palestinians at Jerusalem's Holy sites, he tried to cajole the right-wing Israeli government into co-operating with a UN mission to investigate the shootings.

At the same time, however, the close agreement between Britain and Israel on the Gulf crisis – and the Palestinians' support for President Saddam Hussein of Iraq – compromised Mr Hurd's hostility to Israeli policy in the territories.

Palestinian spokesman Abu Ayyash describing the decision to boycott the Hurd meeting yesterday as 'the will of the people'

The result was he lost on all counts. The fury of Palestinian leaders at what they saw as Mr Hurd's conciliatory attitude to the Israeli government led them to boycott their scheduled meetings with him. The government of the Israeli prime minister, Mr Yitzhak Shamir, meanwhile, showed little or no sign of responding to Mr Hurd's pleas to reverse its rejection of the UN mission.

The cause of the Palestinian anger was reports in the Israeli media that Mr Hurd had told three members of the Knesset in a private meeting that Britain opposed an independent Palestinian state.

Despite insistence by one of the MPs present, Mr Eliyahu Ben Elissar, a member of Mr Shamir's Likud Party, that Mr Hurd had indeed said this, the foreign secretary strongly denied it.

He asserted that British policy still favoured Palestinian self-determination, and if negotiations produced a Palestinian state, then so be it. But the British side was slow to make its position clear.

More than that, what angered the Palestinians was the way Mr Hurd on Tuesday had gone out of his way to adopt a friendly tone with Israeli ministers, including the suggestion that to some extent he sympathised with Israeli rejection of the UN Security Council resolution on the Jerusalem killings – if not the rejection of the UN mission.

After calling off their meeting with Mr Hurd, the Palestinian leaders held a news conference. Mr Radwan Abu Ayyash, a leading activist, said: "Unfortunately, Mr Hurd did not not clarify these points (on a Palestinian state) that created anger in the streets.

"We cannot go against the will of our people," he said.

Dr Saeb Erakat, a prominent Palestinian academic, complained bitterly that the foreign secretary had been offering succour to "a government of killers and murderers".

The irony is that it was the Israelis who were initially apprehensive about the visit because Mr Hurd had made, before arriving, a number of tough statements criticising Israeli policy and calling for "fresh thinking" on the Palestinian issue.

Diminishing voter apathy may discomfort Mubarak

By Tony Walker in Cairo

THE first shots were fired this week in an Egyptian election campaign which promises to be the most challenging President Hosni Mubarak's entrenched National Democratic Party has faced since taking office nine years ago.

Opposition parties, in their efforts to embarrass the Government into conducting a fair election, have threatened to boycott the November 29 poll unless Egypt's judiciary is more actively engaged in monitoring the event.

The nationalist right-leaning Wafd party, which holds 35 seats in the 458-member People's Assembly, said that it would not participate, but this stand is seen as a device to draw attention to the fairness question, and the Wafdists are finally expected to contest the poll.

In the two elections conducted during the Mubarak presidency – in 1984 and then in 1987 – there have been allegations of widespread ballot rigging and intimidation. The NDP swept both polls, but the most striking feature of Egyptian political life has been voter apathy.

Now, it seems that the example of relatively free elections in Jordan and Algeria, plus the democratic changes sweeping eastern Europe, are adding to pressures on Mr Mubarak and his NDP colleagues to countenance a more open and fairly conducted poll.

The combined opposition, including the technically banned but tolerated Moslem Brotherhood, or Ikhwan, won 95 seats at the 1987 poll leaving the NDP with 346 seats or close to 70 per cent of the total. There is little doubt that the ruling party will emerge in a dominant position, but the opposition is expected to make inroads.

Mr Mubarak himself does not come up for election – the president was "re-elected" for a second six-year term in 1987 – but as head of the NDP his fortunes are still tied to an extent to the electoral success of the ruling party.

The Moslem Brotherhood dominated Alliance – the Ikhwan holds 37 seats of the Alliance's 60 – which includes the Socialist Labour Party and the Liberals, will decide this weekend whether to contest the election. Leading Ikhwan figures say they favour participating.

The Tugammu, or "gathering", party of the left has indicated that it will contest the election. It was unsuccessful last time, failing to secure more than 8 per cent of the national vote required for parliamentary representation.

Dr Sabri Abdallah, a Tugammu leader, said he expected domestic issues such as economic and social conditions in a country where living standards are continuing to fall to be the main issues. But he said the Gulf crisis would also be debated.

There is broad support in Egypt for Mr Mubarak's stand against Iraq's takeover of Kuwait, but opposition groups have expressed reservations about Egyptian participation in the US-led multinational force in Saudi Arabia.

Mr Mubarak himself is being given credit for proceeding with the election when the Middle East is gripped by one of its worst crises and the region on the verge of war. His decision is seen as a measure of his confidence just as his personal popularity has increased sharply in response to his policy over the Gulf.

Iraq spurns reports of Kuwait withdrawal

IRAQ strongly rejected suggestions that it might be willing to withdraw from Kuwait, Reuter reports from Nicosia. "No Iraqi official has or ever will say that Kuwait is not part of Iraq," the official news agency INA said.

Iraq annexed Kuwait six days after its army conquered the oil-rich state, later proclaimed it as its 19th province, and vowed repeatedly that it would never relinquish it.

Mr Yevgeny Primakov, the Soviet envoy who recently met Mr Saddam Hussein, the Iraqi leader, said in Rome that Iraq would be ready to negotiate a settlement provided the west did not set ultimatums or threaten military action.

Arab states meet over killings

Arab states gathered last night with ranks closing in anger at the Israeli police killing of 20 Palestinians in Jerusalem this month, Reuter reports from Tunis. The Tunis meeting looked set to be the best-attended Arab session at ministerial level since early in the Gulf crisis, Arab diplomats said.

Iraq seeks food self-sufficiency

Iraq has launched a drive to achieve self-sufficiency in food and beat the UN embargo, Reuter reports from Baghdad. Deputy Prime Minister Saadoun Hammadi said the drive was to gear the economy to "self-defence", switching to a war footing to meet basic civilian needs and supply Iraq's army.

Indian food finds few takers

India, which fought a diplomatic battle to win United Nations permission to send food to its people in Kuwait and Iraq, has found few takers for it, a senior diplomat said, Reuter reports from New Delhi. More than 140,000 Indians have been evacuated from the Gulf. India estimates a maximum of 12,000 Indians remain.

Turks cool towards Nato plans for its southern flank

By John Murray Brown in Ankara

MR Manfred Wörner, secretary general of the North Atlantic Treaty Organisation, can expect a lukewarm – not to say cool – reception to the western alliance's latest defence plan for its exposed southern flank on his arrival in Ankara today.

The proposal, which the Nato chief is expected to discuss with officials, envisages the deployment of a multinational force in Turkey as part of Nato's policy of flexible response in its outlying areas. Mr Wörner has long advocated an "out of area" role for Nato forces.

Such a plan will win few friends in a country already feeling the heat as the only alliance member with a common border with Iraq.

To many observers, any attempt at defence co-operation in the region seems destined to founder while the main alliance members in the region – Turkey and Greece – are age-old enemies.

Perhaps only Turkey's leadership and particularly President Turgut Ozal, seems prepared to weather the domestic flack over Turkey's Nato role, aware that the country's long-term security depends more than ever on the alliance's protective shield.

As the president sees it, it is not simply a military calculation. Indeed politically, while the Turkish application to join the European Community is still shelved, Nato provides a vital platform for the government's European ambitions – another reason for its unequivocal stand in support of UN position on Iraq.

Nato membership has brought considerable commercial benefits too. After initial misgivings in Congress, the US last month approved its latest $545m military assistance programme, making Turkey the largest recipient of US military aid after Israel and Egypt.

Amid speculation in Turkey that the country might get sucked into the Gulf conflict, the more immediate question for Nato is the quality of the Turkish force.

One military analyst noted that it is over 60 years since Turkey fought a big war, the independence war of the 1920s, though Turkey sent a small detachment to the Korean War in the early 1950s. The intervention in northern Cyprus of 1974 was also a relatively small-scale airborne operation, and not a wholly convincing one at that.

In fact, Turkey's army, though it has more than 650,000 men under arms, is short of both war experience and military hardware.

Furthermore, Turkey faces the classic dilemma of any country with a conscript army trying to come to terms with the needs of modernisation.

For Turkey the longer-term worry must be Nato's own possible demise. With this in mind, Ankara is opposed to moves to expand the role of the Western European Union, arguing that this would weaken links between western Europe and its US and Canadian allies.

It is also why Turkish officials are so quick to point out that the Soviet threat, far from diminishing, may have increased as a result of the changes in east Europe. "The Soviet Union is still a military superpower," says Mr Sadic Calisler, head of Nato affairs at Turkey's Foreign Ministry. "Nato's frontiers in central Europe are no longer facing the Soviet threat, but we are."

Under the conventional arms in Europe (CFE) talks in Vienna, Turkey stands to benefit from the redeployment of modern tank and and other equipment from Nato's central front, while its own older hardware is taken out of service – the so called cascade effect.

But by the same count, the Soviet arsenal on Turkey's north-east border is also set to be beefed up. As Mr Calisler sees it, there may possibly have been a "quantitative reduction but not a qualitative one" in the Soviet threat.

Turkish officials are also anxiously watching the spill-over from the political chaos now affecting the Turkish speaking Soviet republic of Azerbaijan.

INTERNATIONAL NEWS

Koreans keep old positions

By John Ridding in Seoul

NORTH and South Korea yesterday displayed wide differences on how to improve relations during the first session of high-level talks in Pyongyang.

Both sides reiterated existing demands, reducing the prospect of a breakthrough in bilateral relations during this week's visit to the north by Mr Kang Young Hoon, the South Korean prime minister.

The visit by the South Korean delegation, the most senior to visit North Korea since the peninsula was divided after the Second World War, is the second set of prime ministerial contacts. A North Korean delegation, headed by the prime minister, Mr Yon Hyong Muk, visited Seoul last month.

Mr Kang warned his hosts that "should your side stick to a strategy of a South Korean revolution we can expect neither smooth progress in these talks nor the resolution of south-north confrontation".

Mr Kang also reiterated Seoul's position that exchanges of people and goods across the heavily fortified border should precede a political settlement.

Mr Yon proposed a declaration of non-aggression between the two sides, a reduction in armed forces and mutual disclosure of military exercises. He also called for the solution of disputes through dialogue, and for the installation of a telephone hotline.

However, he rejected a South Korean proposal for mutual diplomatic recognition.

Mr Kang is scheduled today to meet Mr Kim Il Sung, the ruler of North Korea since 1945. He is expected to press for a summit meeting between Mr Kim and Mr Roh Tae Woo, the South Korean president.

Karnataka episode concluded

THE Congress party of India resumed control over the southern state of Karnataka after an interlude of eight days during which it was administered directly from New Delhi, David Housego reports from New Delhi.

The eight days of president's rule was the shortest time that any state has been brought under direct rule from the capital. It is seen here as a chapter damaging both to Mr Rajiv Gandhi, the Congress leader, and Mr V.P. Singh, the prime minister.

Mr Gandhi is believed to have acted high handedly in announcing that the former chief minister of the Congress-ruled state, Mr Veerendra Patil, would resign – though Mr Patil had no wish to do so. Mr Patil announced from his sick bed that he refused to step down.

Pakistan awaits US aid

Pakistani foreign office officials continue to be optimistic that the recent suspension of US military aid to Pakistan is only temporary and that differences over Pakistan's nuclear programme will be resolved soon, Farhan Bokhari reports from Islamabad.

Last week, the US halted aid to Pakistan, its third largest recipient after Israel and Egypt, when President George Bush failed to certify that Pakistan's nuclear programme was non-weapon oriented. Under US law such certification was necessary for aid to continue.

Many Pakistanis believe that the US is also trying to influence elections on October 24 by using aid as a leverage, rendering the issue of US-Pakistani relations an active consideration.

NZ Labour tax pledge

If re-elected on October 27 the New Zealand Labour government plans to avoid increasing taxes for the next three years, according to Mr Mike Moore, the prime minister, Dai Hayward reports from Wellington.

He gave a "definite" assurance that VAT, the goods and services tax, will not increase above its present 12.5 per cent. He also said that "there should not be any other tax increases" during the government's three-year term.

Mr Moore said the government planned no tax increase but would not give a absolute assurance because of the possibility of an unforeseen crisis.

Tokyo to resume lending to Peking

By Robert Thomson in Tokyo

JAPAN is on the verge of announcing a package of soft loans to China that will herald the formal return to business as usual.

While numerous Japanese companies have announced new contracts with China this year, the business community has been waiting for the first loan package to be finalised. This would confirm that Peking's period of isolation is over.

Japanese banks, which have been using foreign subsidiaries to organise various loans to China over the past year, are likely to take the announcement, expected in the next week, as a sign that direct lending can resume.

The package is part of an Y810bn ($6.16) soft loan programme, the third in a series, that was frozen by Tokyo after the crackdown in Peking, and then unfrozen after the Houston summit in July, when relations with China had begun to improve.

Japanese and Chinese officials had actually begun negotiating the content of the first batch of loans early this year, and the negotiations on the projects, likely to be financed to the tune of around Y40bn, are now in the final stage.

The loans are expected to go to infrastructure projects.

The funds are due to be repaid over 30 years, with a 10-year grace period, and interest starting at 2.5 per cent.

Loans were due to come on line from April, but the suspension of formal talks has meant that the target figure of Y100bn in loans for this year is unlikely to be reached.

The low-interest loans have been viewed by Peking as de facto war reparations, with the first programme, from 1979 until 1983, totalling Y330bn, and the second programme, which lasted until this year, totalling Y470bn.

The money has generally been used on infrastructure projects, including the Peking subway system.

Japanese companies have indicated their concern that the precedent of freezing the loans could be repeated if China's human rights performance takes a further turn for the worse, and the US again puts pressure on Japan to impose sanctions.

China's calm masks inner turmoil

Colina Macdougall on signs of a bitter power struggle at the top

REPORTS last weekend that a disaffected group within China's army was plotting to depose Li Peng, the hard-line premier, and reinstate Zhao Ziyang, the reformist leader sacked last year during the Peking pro-democracy demonstrations, come as no surprise.

The group is also seeking the dismissal of Yang Shangkun, the octogenarian state president and his younger brother Yang Baibing, effectively the commander of the armed forces, both of whom were deeply implicated in the dropping of Zhao and the killing of unarmed demonstrators in Peking in summer 1989.

Unsurprisingly, no one is about to confirm the truth of this story.

But it is inherently likely given the unpopularity of the premier and the Yang brothers. And, while Li Peng's position may be slightly dodgy – he recently failed to appear at a State Council (cabinet) meeting – the Yangs, as tough military men, would need more than persuasion to step down.

All three are quite unpopular enough to inspire a coup. This is especially true in the army, where senior officers have this summer been dismissed in favour of Yang supporters.

The army's recently acquired professionalism is losing out to renewed nepotism and corruption. Capable officers must watch in horror as recruits "learn from Lei Feng", the boy-scout-style model of the 1960s whose example is much favoured by the Yang brothers.

Yet Peking's Asian Games, which ended earlier this month, confirmed that the conservative government can keep the country under rigid control and screw down the lid on discontent.

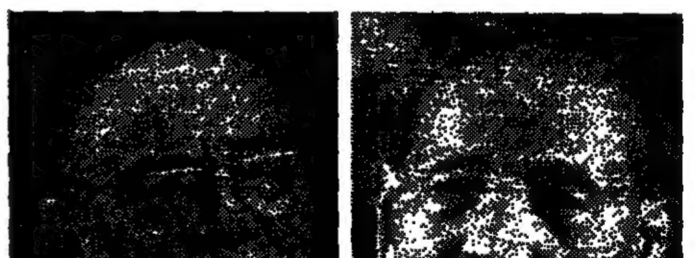
The next hurdle Deng Xiaoping, the paramount leader, and his ageing cronies must face is the coming Central Committee meeting. This was unofficially slated for this month, and was due to approve the eighth five-year plan and a proposed 10-year plan for the next decade. Its apparent postponement and a spate of articles on the power struggle in the Hong Kong Chinese press is evidence of bitter dispute at the top over the economy.

Current indications are that the "bird-cage theory" of economic development propounded by Deng's arch-rival Chen Yun, the octogenarian former economic boss of the 1950s, is winning. Chen argues that the economy should fly free, but within strict bounds. In effect this means the retention of (loss-making) state industry with a dash of private enterprise, especially in farming, and a few further experiments with raising private capital.

There are bad omens for the liberals. A recent Li Peng speech mentions only one reform, that of factory management. This is far from new. Liu Guofang, a leading conservative economist, pointed out in mid-September that over the past 40 years Chen Yun's ideas had always been proved right.

The Hong Kong press commented recently that Li Ruihuan, the former reformist mayor of Tianjin and protege of Deng's, has been silenced by the conservatives.

Conservative power is reflected in rising party influence. Until last year, party groups within factories had lost out to managers and technicians. Now, "gratifying changes" have emerged, and party workers have been reinstated, Xinhua announced. Something like half the foreign ventures in China, previously exempt, now boast a party branch.



State President Yang Shangkun (left) and economist Chen Yun

The 86-year-old Deng has not been seen in public for three months. While his daughter noted a couple of weeks ago that he was in the best of health, what else can she say when other leaders are positioning themselves for takeover after his death?

Deng retains his prestige as leader but his strategy of reform was destroyed when his appointees Hu Yaobang (in 1987) and Zhao Ziyang (last year) were dismissed amid student turmoil. Today's uneasy coalition will last only as long as the present power balance among the octogenarians survives.

This is no way to run a country facing the problems which bedevil China. Foreign trade has improved after a deficit of nearly $7bn (£3.5bn) in 1989 with a surplus of $6.8bn earned in January-August of this year. But subsidies now take up a third of all revenue and GNP growth in the first half year was down to 1.5 per cent compared to 3.9 per cent for the whole of last year.

On top of this, the huge minority areas – Inner Mongolia, Xinjiang and Tibet – are still simmering. Inner Mongolia, which saw a Mongolian rights demonstration earlier this year, has had its government completely reshuffled. Xinjiang is deeply unsettled after what was effectively a Moslem mini-revolt earlier this year. In Tibet, the Chinese government regularly needs tanks in the centre of Lhasa and widespread arrests to keep the lid on disaffection. China looks quiet, but in fact the earthquakes are just waiting to happen.

HONG KONG CORRUPTION TRIAL

Li's gamble of going into the witness box turns against him

By John Elliott and Angus Foster in Hong Kong

Ronald Li standing in front of Hong Kong's stock exchange in happier days

IF THERE was a turning-point in the 6½-week trial of Mr Ronald Li, it came when the defendant went into the witness box two weeks ago. That is always a gamble for someone facing a jury. It went wrong two months ago for Mr Ernest Saunders in London's Guinness trial and went wrong for Mr Li.

Both trials involved important men who overreached themselves in their business dealings. But while Mr Saunders allowed himself to reveal facts about Guinness that might otherwise not have come to light, Mr Li arrogantly ducked and weaved under cross-examination from Mr Michael Kalisher QC, the leading London silk hired by the Hong Kong government.

Mr Li sounded like a man who had something to hide but could give no direct answers. He protested too much and too often that his private operations as a dealer and speculator in shares could be separated, as if by a Chinese wall, from his public role as chairman of the Hong Kong stock exchange and its listing committee.

Mr Justice Bokhary highlighted the mood of those replies in his persuasive summing up speech earlier this week. He told the jury they had to be satisfied Mr Li was an agent of the exchange and the allotment of shares he asked for was a reward and was accepted as a reward.

A quick-witted, sharp-tongued and sometimes short-tempered man, Ronald Li Fook-shiu was born the youngest of 12 children in the family of a rich Hong Kong merchant. He became an accountant in 1953 and, as a stockbroker, founded the Far East Exchange in 1969 to provide more seats for ethnic Chinese than were available on the then Hong Kong Exchange.

The racial overtones indicated by this move are still part of the man's make-up. Ethnic Chinese established a monopoly hold on the unified stock exchange which was set up in 1986. After the 1987 markets crash Mr Li claimed that "white faces" were trying to bully local brokers and win greater influence on the exchange council.

In the late 1980s Mr Li built the new unified exchange into an internationally important regional market – and he will always be credited with that achievement. He also built himself into a crucial and increasingly wealthy central figure.

But the world market crash on October 19 1987 sent Hong Kong spiralling down. Mr Li closed the exchange for four days. A government inquiry followed. But what Mr Li did not know was that in May 1987 he and other senior members of the stock exchange had been reported to Hong Kong's powerful Independent Commission Against Corruption.

Acutely embarrassed by the closure of the exchange and its own failure to deal with it, the Hong Kong government decided to use Mr Li, if it could, as proof the colony was cleaning up its act. The ICAC investigation continued and Mr Li was arrested in January 1988.

Mr Li's trial was the first of two to stem from the investigation. In February next year Mr Li and seven others, mainly former stock exchange executives, face more bribery charges of accepting shares in 1987.

Mr Kalisher, picking up a phrase in the government-commissioned report prepared after the crash by Mr Ian Hay Davison, the former chief executive of Lloyd's of London, said: "It was a very cosy little club, wasn't it, and you were the captain of the club and so you got the lion's share."

The report mentioned no names but, as Mr Kalisher revealed, Mr Li's son Alfred (who sat with his father's counsel in court and is a defendant in the February trial) was the exchange's legal adviser. Another son was its medical adviser, and a son-in-law manufactured the exchange's souvenir tie pins.

The prosecution's case rested on phone calls made to Wardley, a subsidiary of Hongkong and Shanghai Banking Corporation, by Mr Li in 1986 and 1987 asking for a preferential allocation of 500,000 Cathay Pacific Airways shares and 300,000 in Novel Enterprises, a textile company.

Mr Li later made a profit of nearly HK$870,000 (£57,516) by selling the shares.

Mr Li prevaricated when cross-examined on these issues. He took the stand hoping to persuade the all-Chinese jury to understand how he operated in Hong Kong's entrepreneurial system.

In this case, the jury might have been expected to be sympathetic towards a fellow ethnic Chinese, especially when he was harassed under cross-examination by Mr Kalisher.

Mr Kalisher often seemed exasperated with Mr Li's prevarications, partly because of the frustration that expatriate lawyers feel in Hong Kong when they cannot catch the tone and innuendoes of replies in Cantonese, and have to rely on the neutral voice of an interpreter. Mr Kalisher in particular did not know how successfully he was getting under the skin of Mr Li, who usually dealt with all questions looking straight ahead.

The prosecution intentionally chose a narrow legal point on which to base its case, though right up to this week there were fears that the charges were too narrow and Mr Li would get off, like many other Hong Kong commercial crime defendants in the past. The narrow point was that he thought he was asking for a reward when he solicited the shares.

"I do not suggest that he earned a reward, nor did anything to deserve a reward. The evil is obtaining a reward by an agent whether earned or not – the misuse of an office for personal gain," said Mr Kalisher.

Mr Li said that he had broken no laws or stock exchange rules. "I was just involved in normal business behaviour of a registered securities dealer – that had nothing to do with giving approval for listings," said Mr Li. After listening to the other replies and the judge's summing up, the jury decided otherwise.

Senior SE official brought about Li's downfall

By Angus Foster in Hong Kong

A SENIOR official of the Hong Kong Stock exchange has been given immunity from prosecution by the colony's Independent Commission Against Corruption (ICAC) on charges connected with share allocations because he was the man who handed over details of Mr Ronald Li's activities to the government in May 1987.

The man's name cannot be revealed because under the ICAC's wide-ranging powers, details of ongoing investigations cannot be revealed and people cannot be named.

Mr Li and seven former members of the stock exchange council – some of whom returned to positions of prominence at the exchange after being required by the government to step aside for a year – still face charges of accepting preferential allocations of shares. The case, under Hong Kong's prevention of bribery ordinance, is scheduled to come to court in February.

After the conclusion of that case the position may become clearer.

Up to now it has been generally assumed that the government began its inquiries into Mr Li following the October 1987 world markets crash during which Mr Li closed the Hong Kong market for four days. But the government inquiry actually started five months earlier and it is possible that the prosecution would have taken place even if the crash had never happened at all.

In return for his information, the official was given immunity.

Only the most senior government officials including Sir David Wilson, the governor, and Sir Piers Jacobs, financial secretary, know about the immunity and the *fact it was the official who* started the process which has led to Mr Li's downfall.

The official first reported Mr Li to the Office of the Commissioner of Securities and was referred to the ICAC. With the security of immunity, the official has risen up the stock exchange ladder. He remains there in a senior position.

Better regulated exchange still caught between East and West

HONG KONG'S financial markets are significantly better regulated than three years ago when Mr Ronald Li shut the stock exchange for four days in the wake of the October crash, reports Angus Foster from Hong Kong.

But the colony still has its problems. Share manipulation continues, there are public arguments between the new regulators and market players, and tensions between local and foreign brokers.

To some, such troubles are simply teething problems of a new regulatory environment introduced in the past two years. To others, they are worrying signs Hong Kong has failed to mature beyond a gambling den run by local practitioners.

The stock market, meanwhile, has failed to match its pre-October 1987 peak of 3,949 on the Hang Seng index. Unsettling news from China, and more recently from the Gulf, has halted progress and it closed yesterday at 2,858.54.

The main engine for the reform of Hong Kong's financial markets came in a government report following the 1987 crash, conducted by Mr Ian Hay Davison, former chief executive of Lloyd's of London.

The report is best remembered for saying that an inside group at the top of the stock exchange treated it like a "private club". It found that self-regulation had failed to develop, while the regulatory bodies had lost control because of mismanagement and government malaise.

Many of the report's 160 recommendations have been adopted. Big failings have been corrected. Day-to-day management of the exchange is now in the hands of professionals instead of stockbrokers with vested interests.

The Securities and Futures Commission, the overall market watchdog, has been taken out of the civil service to recruit people with experience of markets. The futures exchange has improved its risk management systems, the lack of which caused its near collapse in 1987.

At the stock exchange, new listing rules are in place. Companies whose applications for listing are turned down can appeal to a separate committee. The exchange's governing council has been widened to include corporate, in effect international, brokers. Before, small Chinese brokers dominated the council, and therefore exchange policy.

Nevertheless Hong Kong still seems racked by an identity crisis, unable to decide on the style of regulation it wants or whether to work on international or oriental lines.

Mr Robert Owen, chairman of the SFC, says the move to become more international is already working. Others say Hong Kong has succeeded in the past because of its unique characteristics and argue that trying to bring it in line with other markets will simply drive away business.

A related argument questions the cost of regulatory improvement if market abuses continue. Share ramping, or artificially inflating stock prices, has reappeared and sent prices for several smaller stocks up by over a half in one day.

The seeds for the current disputes were first sown in the Securities Review Committee report. Although well respected, the report opted for a "more of everything" approach. It was too optimistic on self-regulation, which needs consensus and compromise.

Competing vested interests have delayed progress. A long-running dispute between international and local brokers over settlement periods was solved earlier this year, but the argument has delayed the a centralised clearing system until late 1991 at the earliest.

The public disagreements between regulators and market players date back to 1988 when the SFC was being set up. An approach which was felt to be heavy-handed from the new regulators, including Mr Owen, alienated their natural allies, the international brokers and companies. There has been mistrust between the two groups ever since.

Earlier this year the government scaled back the SFC's expansion plans after lobbying from companies like Jardine Matheson which complained of over-regulation.

Legislation on insider dealing and disclosure of interests has been watered down, again because of lobbying from sections of the business community, partly inspired by mistrust of the SFC. Insider dealing is still not a criminal offence. A highly publicised case last year when the chairman of a computer company sold more than 50 per cent of the company's shares without telling anybody is dismissed by the "Keep Hong Kong local" school as an isolated example.

Some bankers are worried by the exchange's plan to become a full self-regulatory body next year, which will give it complete authority over listing matters. The exchange will also take full control over large and related transactions between companies, powers presently shared with the SFC.

AMERICAN NEWS

Senate considers budget package as deadline looms

By Peter Riddell, US Editor, in Washington

THE US Senate yesterday began debating a budget plan which would raise taxes on the better-off, although by less than a package approved late on Tuesday by the House of Representatives.

Differences between the two packages would be resolved in a joint conference. Mr John Sununu, White House chief of staff, urged Congress to deliver a deal by the deadline of tomorrow midnight, when the US government again runs out of money.

However, he suggested Mr Bush might be prepared to sign stop-gap legislation extending the deadline if it had "a really significant reduction in the deficit built in to show that Congress meant business".

The package approved by the House is a statement of Democrat values rather than the basis of a deal.

The vote was mainly along party lines, although there are strong pressures for a compromise with between 25 and 40 Democrats, mainly conservatives from the south or those in close races, opposed.

President Bush has sought to revive his political fortunes by portraying himself as an outsider against the Washington establishment and "tax-and-spend" Democrats in Congress.

The White House is backing the Senate finance committee's plan which has bipartisan support.

Unlike the House version, it avoids any increase in tax rates, although it increases taxes by limiting deductions for the better-off.

Those earning more than $200,000 a year would face a 7.4 per cent increase in federal taxes under the House plan, and roughly half as big a rise under the Senate version.

Several Democrats, including such influential senators as Sam Nunn and David Boren, have proposed an increase in top tax rates linked to a cut in capital gains tax and savings incentives.

The chances of an early agreement depend on how far the Democrats want to push for higher income taxes and how willing the White House is to make concessions.

In detail, the differences between the packages are:

● The House version would increase the top marginal rate of income tax from 28 to 33 per cent, impose a 10 per cent surtax on taxable income above $1m, and delay for one year the indexing for inflation of tax brackets and exemptions (affecting all taxpayers). The Senate committee version would not change rates but would reduce itemised deductions by 5 per cent of gross incomes above $100,000 (against 3 per cent in the original budget agreement).

● The House version would exclude from tax 50 per cent of capital gains tax, apart from the sale of publicly traded securities, up to a $200,000 lifetime limit, and provide $1,000 in tax-free capital gains a year for those with taxable income of less than $100,000. The Senate committee version proposes no change.

● On petrol, the House version proposes no change, while the Senate committee calls for a 9.5 cents a gallon rise up to January 1992 (against 10 cents by next July in the original plan).

There are other less significant differences, although both House and Senate committee plans drop most of the growth incentives/tax reliefs for small business urged by the White House.

N American scientists win Nobel prizes

THREE Americans and a Canadian won Nobel science prizes yesterday for finding one of the basic building blocks of life, and for developing a way to make new substances from natural products, AP reports from Stockholm.

Mr Elias James Corey of Harvard University, Massachusetts, won the Nobel chemistry prize for his method of organic synthesis, which has allowed mass-production of medicines and other products based on naturally occurring materials. He wins SKr4m (£360,000).

The prize for physics was shared by Mr Jerome Friedman and Mr Henry Kendall, of the US, and Mr Richard Taylor, a Canadian, for finding evidence of quarks, the smallest particle known to occur in nature.

Mr Corey "found ways to build up molecules and produce new substances with important functions, for instance, pharmaceuticals," the Swedish Academy of Sciences said.

The method, called retrosynthesis, involves creating biological compounds from chemicals in a laboratory. Mr Corey analyses the structure of biological molecules and identifies simpler molecules which can be used to construct the same substances.

This allows faster development and production of a new product than extracting the compound directly from a plant or animal.

The academy said the physics prizewinners had made "a breakthrough in our understanding of the structure of matter" with their experiments in the 1960s and 1970s at the Stanford Linear Accelerator Centre in California.

Mr Friedman and Mr Kendall, of the Massachusetts Institute of Technology, worked with Mr Taylor, of Stanford University, bombarding protons and neutrons with electrons to isolate even smaller particles, quarks.

Mr Friedman said yesterday after learning he was to share the prize: "There had been theories of the possibility of such objects, but this was the first direct evidence."

Illinois senate race offers voters a stark choice

Barbara Durr on a clash of style and substance

Paul Simon: wants to raise tax rate for wealthy

UNLIKE many American political campaigns where it is difficult to tell the candidates apart, the senate race in Illinois is offering voters a stark choice.

Republican Lynn Martin, a five-term conservative in the House of Representatives, is challenging liberal Democrat Senator Paul Simon, who is running for a second term.

They clash on virtually every key issue and differ widely in style. Mrs Martin, often compared to Britain's Prime Minister Margaret Thatcher, is tough-talking and sarcastic; Mr Simon, who always sports a bow tie, cuts a quaint and comforting figure.

Mrs Martin opposes new taxes and wants to cut spending for social programmes and foreign aid, but advocates continued defence expenditure for "peace through strength". She accuses Mr Simon of being a "tax and spend liberal".

But Mr Simon has steadily run some 20 points ahead of Mrs Martin in the polls. Picking up on the public's anti-rich mood, he wants to raise the tax rate for the upper income brackets. He would also cut defence spending by 50 per cent over the next 10 years and increase expenditure on education, social programmes and foreign aid.

Mr Simon charges that Mrs Martin backed all the Reagan policies – such as tax breaks for the wealthy and deregulation of the savings and loan industry – that have brought the US to its current sad state of fiscal affairs.

And with the American public's anger about the S&L debacle and the general state of disarray in Washington's budget negotiations, Mrs Martin may find it difficult to defend some of those past actions. She is further constrained in supporting President George Bush, whose vacillation on tax rises has dismayed her.

She voted against the budget compromise that Mr Bush wanted congressional Republicans to approve earlier this month. The president could have been a crucial ally, but

US MID-TERM ELECTIONS

his own declining popularity means that his efforts on behalf of the Martin campaign could end up hurting more than helping.

Mrs Martin has turned up the heat on her opponent in recent weeks. For example, she attacked him for having made a phone call on behalf of a Chicago area real estate developer regarding his loans from an S&L institution.

Mr Simon acknowledged that the phone call was a public relations error, but seems to have neutralised the attack by citing the fact that he was one of only 13 senators who voted against S&L deregulation.

Mrs Martin also charged that he has shown little leadership in attracting federal funds to Illinois. It is the sixth most populous state but ranks 49th among the 50 states for federal cash received per tax dollar contributed to the federal budget.

She says she will do more for Illinois, a pledge that could prove her biggest vote winner. She has needed a theme for her campaign and her "Illinois deserves better" slogan is shaping up to be it. A former teacher, Mrs Martin attempted early in the race to lay claim to education as her prime issue, but she has so consistently opposed more money for education that the effort failed.

Mr Simon contends that her pro-defence position will do little for the state, which has few military industries. He says the decreasing federal contribution to Illinois results from cuts in social spending. Meanwhile he can claim 100 per cent approval from the National Education Association for his stand in favour of educational programmes.

The right to abortion has not figured in this contest as it is one issue on which both candidates agree; they are both pro-choice. But Mrs Martin's opposition to the Equal Rights Amendment in the 1970s and to spending for other women's and family programmes led the Illinois National Organisation for Women to endorse Mr Simon.

The senator has garnered an impressive array of endorsements, including senior citizens' and environmental groups and law and order organisations. While he enjoys the name recognition and plentiful funds that come with incumbency, he is still the dogged campaigner.

He also gives a more statesman-like performance on the hustings than the more rough-hewn Mrs Martin.

None the less, Mrs Martin intends to make the final weeks of the campaign as difficult for Mr Simon as she can.

This may mean that her negative campaigning will increase. Her top media adviser is Mr Roger Ailes, who recently called Senator Simon "a weenie", among other undignified epithets.

Mr Ailes was responsible for Mr Bush's most controversial negative television advertisements during the 1988 presidential campaign. But with public distaste for negative campaigning on the rise, this strategy could backfire.

Although more voters recognise Mrs Martin's name, her negative ratings have gone up. She had hoped to turn the campaign around in the first of two televised debates with Mr Simon last Sunday. But she could not land a knock-out punch. Without one, Mr Simon is looking hard to beat.

US industrial output buoyant

By Anthony Harris in Washington

US industrial output grew by a surprisingly strong 0.2 per cent in September, against market expectations of a 0.2 per cent fall. However, house building is at an eight-year low, and applications for new permits suggest the slump has still not reached bottom.

The figures confirm other reports which show that the bank-imposed credit crunch is having its strongest effect in the property market, while manufacturing is virtually unaffected. Consumer demand may now be flattening, but export markets remain relatively buoyant.

The industrial production figures sustain an underlying 2.4 per cent annual growth rate through the month. The rebound in car output in September, responding to stronger than expected sales, was the main source of strength. Output omitting the vehicle sector fell marginally.

Output of consumer durables, which include cars, rose 3.3 per cent in the month, and business equipment output rose 0.6 per cent after two largely flat months. Industrial capacity utilisation was unchanged at 83.6 per cent, again stronger than expected.

September housing starts fell to an annual rate of just over 1m, the lowest figures since August 1982. Starts have declined for eight consecutive months, the longest fall since figures were first collected in 1959.

Starts have fallen more than 40 per cent since January, when warm weather combined with hopes of a market revival to produce a strong figure. They are 10 per cent below the September 1989 figures, a period which was regarded as a severe housing recession.

However, it is the figures for new permits, which are both more accurate and a better forward indicator, which suggest a further slide.

Applications for building permits fell 4.2 per cent in the month, and are more than 23 per cent below the 1989 level after showing characteristic falls of about 12 per cent earlier in the year.

Output is being depressed both by weak demand due to soft prices, and by acute financing difficulties in the housebuilding industry.

Mexico launches $2.5bn drive to protect environment

THE Mexican Government has launched a $2.5bn (£1.3bn) programme to improve the deteriorating environment of the Valley of Mexico, with $2.1bn to be committed to fuel improvement by Petroleos Mexicanos (Pemex), the state oil corporation, writes Richard Johns in Mexico City.

About 40 per cent – or more than $1bn – of projected spending will be financed by foreign credits, in particular a $815m loan extended by the Japanese government in June. Other agreements have been signed with the US, Canada, Britain, France and Germany aimed at helping to improve what is generally acknowledged to be the worst air quality in the world.

Also included in the programme to be implemented over the next two years, which includes several previously announced projects, is the planting of 100m trees.

Emissions from least 2.5m vehicles are believed to be responsible for 80 per cent of the 11,000 tonnes of pollutants belched into the valley's air daily. Carbon monoxide levels have exceeded the World Health Organisation's safety levels more than 200 times this year.

WHO recommended ozone limits were exceeded nearly 400 times in the first half of the year.

Environmentalist say the ozone problem has been compounded by Pemex's oxygenated Nova petrol, although the company has denied this. Earlier this year it introduced lead-free Magna Sin. From next year all motor cars produced by Mexico's booming auto industry must be fitted with catalytic converters.

CBI suggests tax rewards to widen share ownership

By Richard Waters

TAX INCENTIVES for personal shareholders were proposed yesterday by the Confederation of British Industry (CBI), the employers' organisation, to halt the long-term decline in individual investment.

The CBI task force, set up to investigate the issue, also concluded that deep-seated attitudes of potential investors, listed companies and stockbrokers must be changed before individuals will buy more shares.

Although the number of shareholders has leapt from 2m to more than 10m since 1975, the proportion of the stockmarket owned by individual investors has fallen from 37.5 per cent to 20 per cent.

The main reason for the decline, the task force suggested, is the greater tax advantages of other forms of investment, particularly in pensions and owner-occupied property.

It also blamed stockbrokers and the London Stock Exchange for failing to market themselves and develop suitable ways for small shareholders to deal in shares.

The report proposed a number of tax changes:

● An annual £1,200 tax-free allowance for money invested directly in shares, similar to schemes in the US and France. This would apply only for a limited period.

● A deferral of capital gains tax for share sale proceeds which are reinvested.

● Changes to Personal Equity Plans. These would include an increase in the annual limit from £6,000 to £10,000 and a relaxation of the rules on the management of Peps. There should also be a new lump-sum Pep of up to £50,000, to catch inherited funds and lump sums from pensions.

These changes need to be supplemented by action on a number of fronts according to the report of the task force, which was chaired by Sir Peter Thompson, chairman of National Freight Consortium.

Companies have the most to gain from smaller investors – they are generally regarded as a more loyal and stable shareholder base than institutional investors so, the report noted, companies should put more effort into attracting private shareholders.

Chancellor to discuss ERM effects

By Rachel Johnson

MR JOHN Major, the chancellor of the exchequer, addresses bankers at London's Mansion House tonight with his policy implements reshaped by Britain's entry into the European exchange rate mechanism.

He is likely to explain how monetary policy and fiscal policy will be adjusted better to fit the discipline of ERM membership.

Reducing inflation from its current level of 10.9 per cent remains a priority, but even more important than this is to keep sterling within its ERM bands of plus or minus 6 per cent around a central rate of DM2.95. All this has to be done against the possibility that if Germany increases its interest rates, the UK might have to follow suit.

The public spending round will also have implications on fiscal policy.

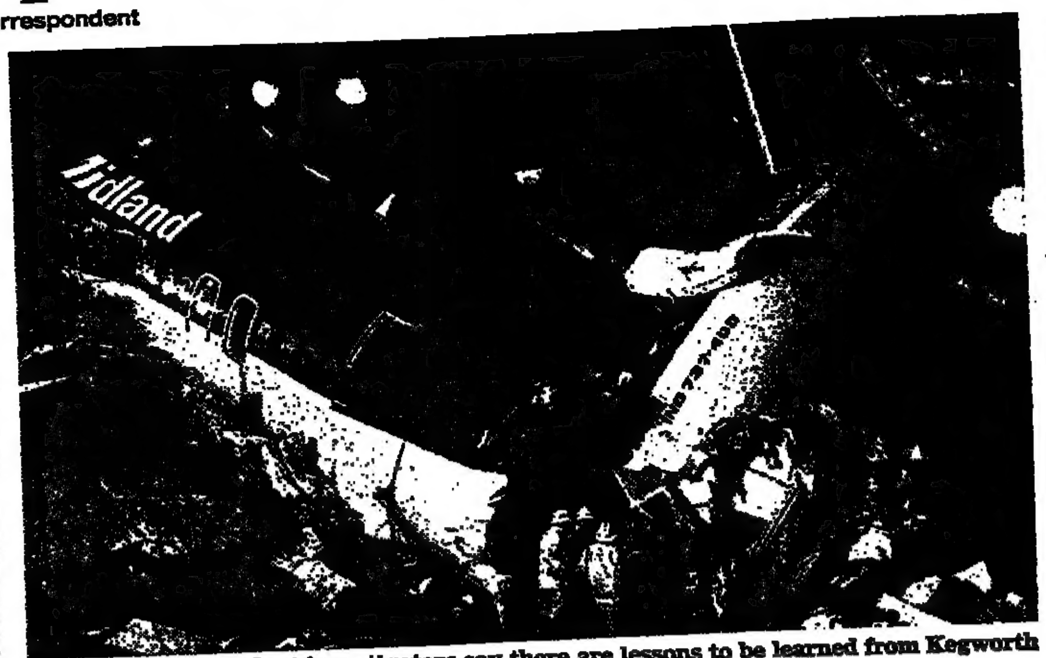
The bankers might well wonder how the ERM discipline will work when the economy is about to be given such an injection of extra public spending of £7bn for 1991-1992.

So further interest rates cuts are going to be handled with extreme caution. The strength of the D-mark is also an obstacle to further cuts.

KEGWORTH AIR DISASTER

Crash report to outline safety measures

By Paul Betts, Aerospace Correspondent


Crash landing: accident investigators say there are lessons to be learned from Kegworth

THE British government will today release the long awaited official accident report on the Kegworth air disaster which proposes a series of important recommendations to make aircraft safer.

The report by the Department of Transport's Air Accidents Investigation Branch (AAIB) makes 31 recommendations to improve aircraft safety.

They include a call for new research to strengthen aircraft cabin floors; improvements in seat designs and seat belts; enhanced fuselage crashworthiness; and the introduction of external cameras to enable pilots to monitor aircraft engines.

The AAIB investigators have also raised once again the question of fitting rear-facing seats in passenger aircraft and have recommended research in this field. The Royal Air Force already uses rear-facing seats on its fleet of VC10 transport jets which also have specially strengthened cabin floors.

Detailed recommendations are made on engine inspections and modifications as well as improvements in instrument displays in the aircraft cockpit to help alert pilots of a malfunction or failure.

The report also draws attention to the psychological approach of pilots to cockpit instrumentation during their training and draws attention to various warnings. It suggests a review of pilot training.

The disaster on January 8, 1989 involved a British Midland Airways Boeing 737-400 twin-engine airliner which had taken off from London Heathrow and was en route to Belfast. The aircraft suffered a fan blade failure in its left engine provoking severe vibrations while flying over the Midlands.

The pilots shut down the wrong engine and flew towards East Midlands airport. They needed extra power for landing and at this stage the faulty engine shut down completely. The aircraft crashed on the M1 motorway near Kegworth; 39 passenger died on impact and eight other passengers died later; another 74 suffered serious injury.

Aviation safety officials pointed out that like a previous accident involving a British Airways Boeing 737 aircraft which caught fire on take-off at Manchester in 1985, the Kegworth crash was a survivable accident. They explained that a few years ago, such disasters would not have been survivable. The lessons of these two crashes was how to improve aircraft to enhance the chances of survival in such accidents, they said.

The British Midland 737-400 was powered by CFM-56-3C engines jointly made by Snecma of France and General Electric of the US. After the Kegworth disaster and two other incidents when a fan blade ruptured as the aircraft reached the top of its climb, aircraft fitted with CFM-56-3C were grounded.

Snecma and GE subsequently fitted shock absorbers to the blades as a first step to enable the aircraft to fly again. They are now undertaking additional modifications involving the shroud between the fan blades. Until changes are completed, the CFM-56-3C engines cannot be operated at full thrust above 10,000ft.

The Civil Aviation Authority and British Airways are due to begin trials next year with external television cameras on aircraft to enable pilots to see in the cockpit what is happening to the outside of the aircraft.

BRITAIN IN BRIEF

Democrats back single currency

EUROPE should move towards a single currency within 10 years, the Liberal Democrat party said yesterday as it unveiled its response to Britain's entry into the exchange rate mechanism.

A commitment to the goal of a single currency was crucial if the UK is to maintain the confidence of its European partners, Mr Alan Beith, the party's treasury spokesman, said. Progress towards economic and monetary union should be swift: "I'm talking about this decade."

With the Liberal Democrat party keen to portray itself as the most pro-European of the Westminister parties ahead of the December's inter-governmental conference in Rome, Mr Beith said he supported "the basic concepts" of the Delors report on EMU. He favoured a European central bank commited to price stability.

The party called for a commitment to narrowing next year the ERM band in which sterling trades to 2.25 per cent. It called for "targeted increases" in public spending to reduce inflationary bottle necks in the economy.

KGB agent in family plea

Mr Oleg Gordievsky, the former KGB double agent, who defected to Britain in 1985, made a strong plea for support in his efforts to persuade the Soviet authorities to allow his wife and two children to join him in Britain.

Mr Gordievsky, who was sentenced to death *in absentia* in the Soviet Union after working as a British intelligence mole for 11 years while working as the KGB head of station in London, said his family had been kept virtually as hostages by the Soviet authorities for more than 5 years.

All the efforts made by western governments, including personal interventions by former US President Ronald Reagan, US President George Bush and Mrs Margaret Thatcher, to obtain the release of his wife and children, had come to nothing.

Mr Gordievsky, co-author of "KGB, the inside story", due to be published on Friday, has alleged that Mr John Cairncross, a former civil servant, was the fifth man of the notorious Burgess-Maclean-Philby-Blunt ring of spies, who became communists while at Cambridge University in the 1930s.

Petrol prices fall sharply

Petrol pump prices came down sharply last night as oil companies responded to the fall in the Rotterdam spot market in recent days.

Shell, which competes with Esso for the biggest UK market share, led the way down with an 8.6p cut to 226.9p a gallon for four star. BP, the third biggest retailer, quickly matched Shell's price reduction after announcing only a 4.1p a gallon cut earlier in the day.

Although there was talk of a price war breaking out among retailers, big differences in announced price changes has been common in the last two months, in which wholesale markets have been extremely volatile. Over time, however, competitive pressures tend to push retail prices back into a narrow band.

Buoyancy in hotel trade

Britain's hotels are enjoying their best level of occupancy for several years as a result of the record numbers of tourists coming to the UK this year.

Figures from the British Tourist Authority show that the average level of room occupancy in UK hotels was 54 per cent for the first six months of 1990, a rise of 3 per cent over the same period last year. The main reason for this increase has been a surge in numbers of tourists from overseas.

Anti-pollution sector grows

THE UK market for environmental technology and other goods and services for cleaning up pollution has reached £4bn a year and is set to grow by 8.5 per cent annually, says a report prepared for the Department of Employment.

There are now 109,100 people employed in connection with the environment and the number is expected to rise swiftly. It has passed the 90,000 in the coal industry and is likely to approach the 140,000 in the electricity supply industry said Mr James Medhurst of Ecotec, the consultancy which produced the report.

Stress service launched

CareAssist, a subsidiary of Royal Insurance, the UK insurer, has launched Britain's first commercial telephone-based stress counselling service.

The 24-hours-a-day service, called StressCare, will be sold to employers, trades unions and professional associations who would offer the service as a benefit to employees or members. Insurers, who could make the service available as part of an insurance policy, are also expected to be among CareAssist's clients.

Stress has been identified as a major occupational health issue by the Confederation of British Industry, which recently estimated the annual costs of stress-related absenteeism and staff turnover at £1.3bn.

Water merger

Two former statutory water companies, Newcastle and Gateshead, and Sunderland and South Shields, agreed yesterday to integrate their management and day to day operations in northern England. The companies, owned by the French Lyonnaise des Eaux Dumez group, supply water to 1.3m customers.

Rift on education policy denied

Thatcher tries to dampen speculation of party split

By Alison Smith and Norma Cohen

THE government yesterday tried to quash speculation of a split between the prime minister and Mr John MacGregor, one of her longest serving ministers, over education policy.

Mrs Thatcher held an hour-long meeting with Mr MacGregor, the education secretary, yesterday in which some of the most contentious aspects of the government's education reforms were on the agenda.

Leaving Downing Street yesterday evening, Mr MacGregor, who has faced speculation that his ministerial career could be in jeopardy, said that the discussion had been "very amicable indeed".

Sharp policy differences between Mr MacGregor and Mrs Thatcher have recently emerged over the introduction of school vouchers – in which parents would be granted a greater say in which school their children were educated in – and the pace at which schools have been opting out of local government control, a cornerstone of the government's reforms.

Mr MacGregor has also come under criticism from the right wing of the Conservative Party over his decision to reduce the scale of testing required of young schoolchildren. It is this issue which is understood to have been at the top of the agenda at yesterday's Downing Street meeting.

Mr MacGregor is understood to have put off plans to announce the form of tests for seven year-olds under the new National Curriculum, three times until Mrs Thatcher had a chance to personally approve them.

The announcement had originally been scheduled for earlier this week, when Mr MacGregor had been expected to say that he accepted the proposals by the Schools Examination and Assessment Council (Seac).

The Seac proposals had reduced the number of attainment targets for seven-year-olds from over 200 to about 50. In pilot tests in the spring the initial proposals proved too difficult to administer effectively.

Mr MacGregor has also come under increasing pressure this week to settle his public spending bid with the Treasury. Education is now the only major issue which has not yet been agreed in this year's round of departmental spending allocations, and which might need arbitration by a group of cabinet ministers in the "star chamber" committee.

Opposition Labour Party managers are jubilant at their success in putting education at the top of the political agenda and forcing the government on to the defensive at a time when it is still trailing in the opinion polls.

After yesterday's meeting, Mr MacGregor said he hoped to make an announcement about the new arrangements for testing seven-year-olds "very shortly".

Mr MacGregor also denied that there were any differences of view between himself and the prime minister.

British Coal in moving message to local village

By Juliet Sychrava

GOSSIP in the bar of the Station Hotel has reached a crescendo previously unheard in the Derbyshire pit village of Arkwright. Regulars are mulling over the news that the village could be soon, quite literally, on the move.

All three hundred of its residents have been forced to leave their homes on previous occasions to escape dangerous methane gas emissions from a nearby disused drift mine.

This time, though, they are taking their homes with them, a quarter of a mile up the road, with British Coal picking up the £15m bill.

British Coal is to build a new village, to be designed in consultation with villagers, and offering every amenity. A business park will be included that could eventually provide 700 jobs in an area which has suffered from the decline in mining employment.

The scheme will be funded with revenue from 4m tonnes of low-cost coal to be mined at new open-cast operations around the relocated village.

New three-bedroom houses will replace the existing traditional mining village, built to service the old pit, which has three streets of terraced houses, some council bungalows, the Station Hotel pub, a miners' welfare club, a school, a post office and a shop.

A detailed planning application for the scheme will be submitted to Derbyshire County Council in 1991. If approved, the village could be ready by 1993-4, with the whole opencast and reclamation operation taking 10 years.

LONDON UNDERGROUND

Transport system faces a £40m shortfall

By Andrew Taylor, Construction Correspondent

LONDON Underground, one of the world's biggest public transport systems, warned yesterday that it was facing "a cash flow crisis" and had ordered managers to make substantial savings to improve liquidity.

"There will be a £40m cash shortfall by the end of March if we carry on the way we are now. If we cannot reduce costs and generate more cash we will not be able to pay our bills," a company statement said.

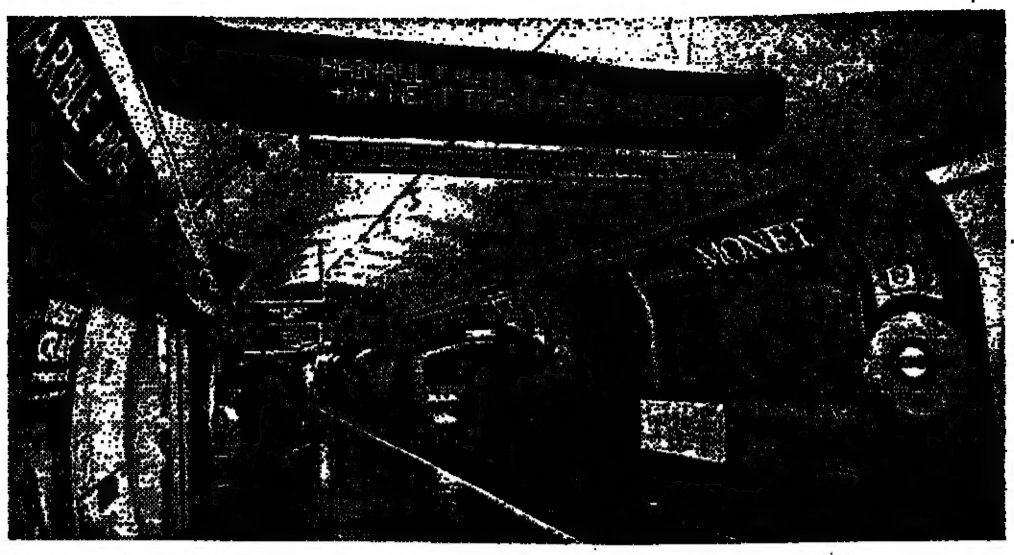
London Underground added that only as a last resort would cuts be made to train services.

Other options could include freezing recruitment and closing more ticket offices during off-peak travel hours.

"We would hope to make savings in other ways by slowing down some investment programmes, cutting consultancy contracts and reducing research," it said.

The company blamed the cash shortage on lower than expected revenues from ticket sales.

The number of people using the underground system during the morning rush hour fell by 5 per cent to 567,000 during the 12 months to the end of March.



Going underground: modernisation costs and fewer passengers threatens a cash crisis

Stringent new safety regulations introduced after the fire at Kings Cross underground station during 1987, in which 31 people died, have also increased costs on the network.

Expenditure, meanwhile, has been brought forward to modernise stations on several lines and London Underground is also facing an unexpected £3m bill to repair the tunnel roof at Blackfriars Bridge.

London Underground said revenues from ticket sales in the current financial year were likely to be around £7m lower than had been originally forecast.

Revenue in the 12 months to the end of March was £461.9m, compared with £431.6m in 1988-89.

"Unlike private companies we are restricted in the amounts which we can borrow to overcome short-term liquidity problems.

"There is therefore no option but to reduce costs or increase prices," said London Underground.

Cammell Laird shipyard falls victim to Britain's defence cuts

By David White, Defence Correspondent

THE MERSEYSIDE shipyard of Cammell Laird in north-west England, one of the traditional great names of British shipbuilding, has fallen victim to defence cuts.

Its owners, VSEL, yesterday put the shipyard up for sale and said that, if no buyer was found, the yard which built such famous ships as the Ark Royal and the Mauretania, would be closed down.

The group is starting talks with unions on reducing the workforce of 2,100. VSEL said it would close the yard once current contracts were completed in 1992.

Cammell Laird occupies a 140-acre site at Birkenhead, where it has been since 1857. VSEL said its intention was to sell it as a "working shipyard" building merchant vessels instead of warships.

It said it had applied unsuccessfully to the Department of Trade and Industry to give Cammell Laird access to the Shipbuilding Industry Intervention Fund, which subsidises merchant shipbuilders' bids in the international market.

It had been told that neither the British government nor the European Commission would agree because Cammell Laird, although it used to build merchant ships, was designated a warship yard.

VSEL said yesterday: "The possibility of securing the future of Cammell Laird on the basis of warship building is no longer a feasible proposition."

Post-war production included two of Britain's four Polaris ballistic-missile submarines. But by the time it joined VSEL its workforce had dropped from a one-time total of about 16,500 to 1,200.

VSEL, which builds submarines at Barrow-in-Furness, said other companies would be better equipped to bring the yard back into the civil sector. It did not have the expertise, or even a merchant ship design.

Morgan Grenfell, the merchant bank handling the sale, had identified 60 potential bidders. These included shipyards now working to full capacity.

The Birkenhead yard was attached to VSEL in 1985 when both belonged to the state-owned British Shipbuilders. The group was privatised in 1986 through an employee-led buyout.

Cammell Laird's workload now consists mainly of three Upholder class diesel-electric submarines. The first of the class, commissioned in June, was built by VSEL at Barrow.

Inquiry continues into Iraqi-owned company

By Richard Donkin and Patrick Harverson

THREE directors of Matrix Churchill, the Iraqi-owned Midlands machine tool manufacturer, were released on police bail yesterday after two days of questioning by Customs and Excise in connection with possible breaches of export credit licencing arrangements.

The three directors, Mr Paul Henderson, managing director, Mr Peter Allen, sales and marketing director, and Mr Trevor Abraham, were bailed until December to allow customs officers to continue their inquiries.

At the same time it emerged that the inquiries surrounded the export to Iraq of a computer numerically controlled lathe set up to produce artillery fuses.

The equipment was shipped out in 1989 without a licence under the Export of Goods Control Order which demands it be accompanied by licences for certain types of high technology equipment.

While a machine tool can be set up for general use, the one at the centre of inquiries is understood to have been programmed with software specifically designed to produce artillery fuses.

Other enquiries are centred on exports of Matrix machine tools to the Cardeon company in Chile.

Matrix Churchill directors refused to comment yesterday but the company said it was continuing to manufacture and operate.

Matrix had seen its bank accounts frozen last month by the Bank of England – but the company was allowed to continue trading.

Management had been negotiating a buy-out from the Iraqi owners but the company said last night that it was concerned about the effect the arrests would have had on the buy-out plans.

It also emerged yesterday that the Department of Trade and Industry has spoken to more than one company in the UK machine tools industry over the past six months about contracts they may have with with Iraq.

Mr Hugh Ashton, company secretary of 600 Group, the machine tools, lasers, optical equipment and distribution company, yesterday confirmed that the DTI had met with the group to discuss a query over a contract to supply a railway workshop to Iraq.

Mr Ashton said that the query was subsequently resolved.

In the past few years UK companies have been actively involved in supplying Iraq with a variety of machine tool equipment, including the most technologically advanced products available.

In late 1987 Iraq turned to the UK after West German machine tool makers were unable to meet tight delivery deadlines.

By the end of 1988 Iraq had become the third biggest export market for UK machine tool manufacturers – behind the United States and Germany – with a total of £31.5m worth of products sold during the year.

In 1989 sales dropped to £12.4m because of political uncertainties.

Earlier this year Lord Trefgarne, the then minister of state at the DTI, held meetings with a number of British machine tool manufacturers to discuss ways of increasing trading links with Iraq.

With a tube of chrome yellow, Van Gogh forever changed the way we look at a sunflower. He was driven by a passion for self expression; the need to create something from within. In his own words, "There is something deep inside me. What can it be?" In 1920, a Japanese man – Jujiro Matsuda – was also driven by a passion. He dreamt of a company fashioned in his own image, but he didn't give it his own name. Instead, he named his cars after the ancient god of light: Mazda.

SINCE 1920

On the road to civilization. **mazda**

TECHNOLOGY

The fledgling learns to fly

Paul Abrahams on how Boeing designed its 777 aircraft, launched this month, entirely on computer

This August, at the start of the peak holiday season, a British Airways engineer inspecting one the airline's new Boeing 767s at Heathrow discovered a two-inch crack in a flange attaching the engine pylon to the main structure of the aircraft's wing.

Further inspections of the pylons on five of BA's other six 767s revealed similar distress. BA's entire 767 fleet was grounded, the airline was forced to lease additional aircraft for the week in which the 767s were unavailable and a 20-man emergency team was dispatched from Boeing's Seattle headquarters. The consequent costs, about which BA refuses to detail, were considerable. So was Boeing's embarrassment.

Boeing accepted blame for the problem. The faulty flange was part of a strut specially designed by Boeing for BA to attach Rolls-Royce RB-211 engines to the wings of the 767. BA is the only airline using this combination of engine and airframe.

Alan Mulally, vice-president for engineering for the new airplane division at Boeing, explains that the engineer who designed the flange then made an improvement elsewhere on the strut and failed to recognise that the adjustment had created a high stress point. Mulally says the fault was a simple, though fundamental, design mistake which only came to light after the aircraft had been in the air for some time.

However, the introduction of a new generation of computer-aided design tools at Boeing's plants in Washington state should reduce the risk of such mistakes in the future, according to Mulally. In addition, the new equipment should also allow Boeing to simplify the internal design of its new aircraft, reducing the cost of manufacture and making maintenance easier.

For its latest aircraft programme, the 777, Boeing is setting up a computer network capable of accessing a sophisticated three-dimensional computer-aided design (Cad) program, known as Catia, supplied by the French company, Dassault Systems.

Boeing plans to use the network, linking about 500 IBM workstations and two mainframe computers, to design the entire aircraft. Last Monday, United Airlines became the first customer for the 777 when it ordered 86 aircraft. It will be the first commercial jet designed completely on computer.

Ironically, one of the first sections of an aircraft designed by Boeing on Catia's three-dimensional system was the strut for BA's 767s – the very section that grounded the entire fleet. (Boeing has been using two-dimensional Cad as a drafting tool since 1978.)

However, the design engineers working on the 767 strut did not have access to a new stress analysis system on Catia, called Elfini, which allows them to visualise on screen where the stresses occur under different loads.

Previously, this process required engineers to spend hours reading through pages of computer-printed numbers looking for stress concentrations. On the Elfini system, areas of high stress are now easily identified by different colours on the screen.

Mulally argues that if the Elfini system had been available for the 767 strut, Boeing engineers would have been able to identify the guilty part before it was manufactured, let alone installed on the aircraft.

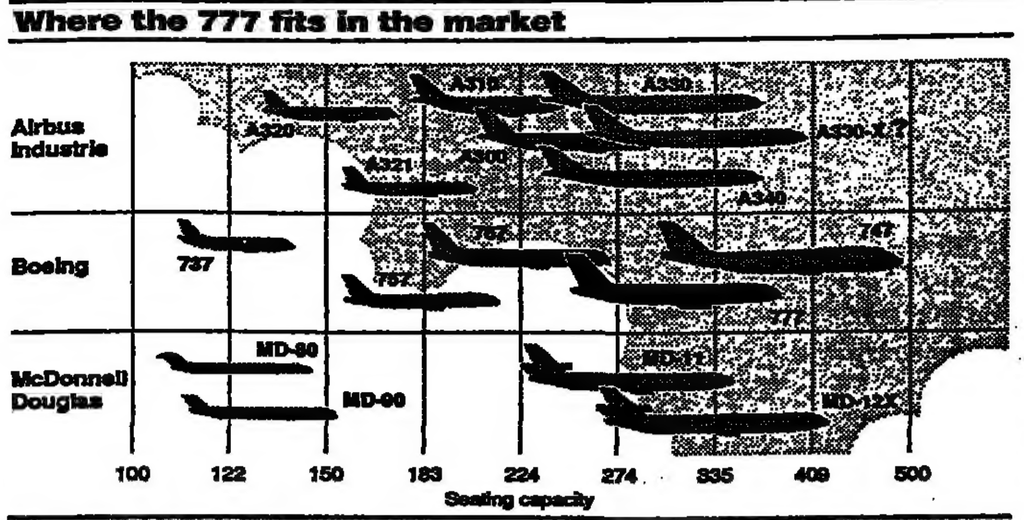
However, the latest three-dimensional version of Catia provides Boeing with a number of other benefits according to Bill Creel, the senior manager of engineering computing on the 777.

Creel explains that Catia now allows Boeing engineers to simplify the design of the aircraft and so reduce the cost of manufacturing.

Engineers can assemble the components digitally on screen to make sure they all fit together. This means the engineers can see whether there are any interferences between the components and whether any can be redesigned more simply. Any redundant or over-complicated part can be redesigned on screen before it is manufactured.

Previously, when engineers wanted to see if the parts fitted together they had to assemble physical mock-ups. However, these tended to be time-consuming, expensive and not particularly accurate, explains Creel. He says that with the physical models, the engineers would be lucky if the accuracy of the parts came within .03 of an inch: there was a danger that components such as pipes would fail to fit together.

Where the 777 fits in the market



Until recently, workers on the company's 737 lines spent as much as 25 per cent of their time reworking or fine-tuning components. "Basically, Catia allows us to see problems before they happen. This allows us to reduce the amount of engineering changes and reduce the complexity of the aircraft, resulting in a better product," says Creel.

Another advantage of the Catia system is that it allows the engineers to modify components rapidly during the design stage. He explains that throughout the development process engineers inevitably want to make changes. Previously this caused problems because parts with long production lead times often had holes for wiring and tubing in the wrong place because the design had been changed.

With the Catia system, most of the parts do not have to be manufactured until the design is complete. "We think we can design the right hardware the first time," says Creel.

A further important benefit of the system, according to Creel, is that Boeing will find it easier to manufacture jets designed specifically for its customer's needs.

Previously, without the three-dimensional Catia system, the company's customer-orientated policy had caused problems, particularly with its early 747-400 aircraft. Boeing discovered that it was offering 153 different lavatory locations, some only an inch apart. The company had to carry out expensive physical mock-ups to see if the changes were practical. These can now be be tested on the Catia screens.

According to Creel, Catia allows the engineers to ensure that the aircraft, once built, is easier to maintain. Before the new system was being used, it was impossible to be sure there was enough room for maintenance engineers' arms, fingers and tools to reach components for fitting and removal. The computing department now models engineers' arms on the workstation.

A final benefit of using Cad is that it helps the manufacturing engineers. Once a solid image design of component is designed, the computer downloads the details of each part to a cutting tool which is accurate to six decimal places.

The computer also works out the best way to cut the piece during manufacturing. The process of defining the geometry to cut each part used to represent a significant proportion of the workload of manufacturing engineers.

Creel admits that retraining the Boeing engineers to use the Catia system has not always been easy. He explains that some had problems adjusting to the practicalities of designing in three dimensions. It was even possible to tell the age of the engineers from the way they adjusted: some of the older designers continued to work on screen with two dimensions instead of three.

Another problem was the response time of the computers. During mid-morning, when system is most in demand, the time it takes for the computers to complete some functions increases from about 20 seconds to about 40 seconds.

He smiles as he explains that people have started complaining that they cannot do things in five minutes which five years they could not do at all.

In the meantime, Boeing is hoping that its first and rather embarrassing experiment with three-dimensional computer-aided design is not repeated.

An article on the manufacturing operations of Airbus Industrie will follow tomorrow.

Banks perform electronic trick

By Della Bradshaw

"THE CHEQUE is in the post" is a euphemism small suppliers dread to hear. They know it probably means that their customer has not paid the bill. But short of questioning their client's honesty, all they can do is bemoan the inefficiency of the postal services.

This dilemma could soon be over. The UK's high street banks are now promising ways of paying bills electronically. This would mean that the small supplier, waiting for the cash, would get notification of the payment from the customer's bank. No notification would mean no payment.

Such electronic messages, known as electronic data interchange (EDI), are becoming common for the transfer of "paperwork". Order forms and invoices whizz over phone lines between computers.

Now the payment for the goods, alongside the documentation, could take just seconds to zip around the country as well. Both the National Westminster Bank and Barclays Bank have services which can perform this electronic trick; Lloyds and Midland are expected to follow soon.

From the customer's point of view the system is easy to use. The finance department taps in the details of the bills to be paid – supplier name, amount, bank account number, date on which the payment is to be made – to the company computer system. That information is then sent electronically to the company's bank.

The bank processes the information and sends out written details to the payee – electronically, or by facsimile or post. On the appropriate day the money is paid into one bank account, deducted from the other and the documentation sent electronically for company records.

Electronic transmission can be considerably cheaper than the post, points out Jerry Whitmarsh, senior strategy and research manager of automated business services at NatWest. The minimum cost today of settling an account by cheque is about £5, but can be as high as £30, he says. The maximum that NatWest or Barclays would charge to complete a translation electronically would be about £2.

Other benefits of electronic payments include speed and a reduction in errors, as information does not have to be re-keyed. John Irish, chief executive of Spar, the UK grocery chain and the first user of the NatWest service, says EDI will mean suppliers are paid more rapidly. That, he says, will bring closer relationships and could help Spar get better terms from its suppliers.

PowerGen links up

By David Thomas

POWERGEN, one of the generating companies in England and Wales, yesterday announced a research and development agreement with the Electric Power Research Institute (EPRI), which manages most of the research work for electricity utilities in the US.

The agreement, the first of its kind between PowerGen and a foreign research institute, is part of a new research strategy which the company is putting into place as it approaches its privatisation.

The agreement will involve PowerGen paying $3.3m a year to EPRI, which is based in California. In return, PowerGen will be given access to EPRI research projects to the value of about $44m a year.

Richard Jack, PowerGen's director of technology and research, said: "Co-funded participation in the activities of EPRI will establish collaboration and give us access to a vast research data resource which will complement our own research programme."

PowerGen, which inherited some of the research staff from the old Central Electricity Generating Board, is consolidating its own research and development activities at a site near Nottingham.

Radio telescope wins top award

AN ANGLO-Dutch radio telescope, fixed to a mountain top in Hawaii, could demonstrate the way forward for engineers designing structures which can change shape.

The James Clerk Maxwell telescope was this week given the annual MacRobert Award from the Fellowship of Engineering, the UK National Academy for Engineering. The £16m telescope has been part of the Mauna Kea Observatory since the summer of 1986.

It is the largest of a new generation of telescopes designed to detect radio waves emitted by interstellar gases in the outer regions of space – the birthplace of stars.

These radio waves are tiny, less than a millimetre long, and require telescopes of the utmost precision to detect them. Any distortion throws the tiny waves out of focus. The engineers designed a reflector dish for the telescope which changes its shape to compensate for any movement.

The dish is made of 276 lightweight, aluminium panels mounted on a steel frame. Each panel is mounted on three mechanical legs, which enable it to move and counter distortions that would disturb the tiny radio waves and spoil the signals received from space.

Computers co-ordinate the movement of each panel to ensure that the mirror surface of the telescope dish presents a true image of the stars.

The same techniques could be used for changing the shape of large surfaces, such as the wings of aircraft, or other structures where shapes would respond to varying operating conditions. This would enable aircraft to use variable shape aerofoils, instead of swing wings, the current method of meeting changing conditions in the air.

Lynton McLain

MANAGEMENT: Marketing and Advertising

Boulet Dru Dupuy Petit

Entrée across the Channel

Alice Rawsthorn explains why the French agency is backing three UK advertising eminences grises

The advertising industry thrives on rumours. So when the secretary of the chairman of a London ad agency spotted someone who looked like Dave Trott getting on a flight to Paris with a man answering to the description of Paul Bainsfair, her boss drew his own conclusions.

Trott, recently ousted as creative director of Gold Greenlees Trott, was almost certainly starting a new agency with Bainsfair, then joint chief executive of Saatchi & Saatchi, the biggest single agency in the UK. And, the chairman surmised, they had persuaded one of the ambitious French advertising agencies to back them.

For once, the rumours turned out to be true. Boulet Dru Dupuy Petit, probably the most ambitious of all the French agencies, is bankrolling Bainsfair Sharkey Trott, a new London agency set up by Paul Bainsfair and Dave Trott together with John Sharkey, who now runs BDDP's UK interests and who used to work alongside Bainsfair at Saatchi.

BST is beginning in business at a very tricky time. The UK advertising industry is, after all, in the thick of its worst recession since the mid-1970s. Nevertheless, the calibre of the people involved in BST, and the scale of BDDP's investment, means that it must be a force to be reckoned with.

But the launch of BST is also significant in that it forms an important part of the expansion of Boulet Dru Dupuy Petit. The French agency is regarded as one of the most dynamic forces in European advertising. It has expanded rapidly across the continent but is still a peripheral player in the UK, the biggest single European advertising market.

If BST is successful, BDDP will move several steps further towards fulfilling its ambition of owning a fully-fledged international advertising network.

BDDP has been trying to establish a presence in the UK since its unsuccessful bid for Boase Massimi Pollitt two years ago. Before backing BST, its UK interests were restricted to ownership of Waldron Allen Henry Thompson, a small London agency, and a minority stake in Broad Street, the public relations group.

"The UK was always the big gap in our network," says Jean-Claude Boulet, chairman of BDDP. "Now that gap has been filled."

Probably the best analogy for BST's launch is BDDP itself. BDDP was set up six years ago by Boulet with three other senior French advertising executives. Jean-Marie Dru and Jean-Pierre Petit, who had worked with him at Young & Rubicam, and Marie-Cathérine Dupuy, creative director of Saatchi in Paris. Within three years BDDP had become a top five French agency.

The three founders of BST are all of comparable stature within the UK advertising industry. Dave Trott, 44, is regarded as one of the most talented, and truculent, creative directors in London. He has been searching for financial backing ever since he was fired from GGT earlier this summer.

One of the people whom he approached was John Sharkey, 43, who had left Saatchi in May to become chairman of BDDP (UK). Sharkey, best known in the City for a brief period with the beleaguered Blue Arrow group, had already considered, and rejected, several possible acquisitions.

"Nothing seemed to be suitable," he says. "So when we had the chance to work with Dave Trott on a new agency, we jumped at it."

Sharkey then contacted Paul Bainsfair, a colleague from his days at Saatchi. Bainsfair, 37, had risen rapidly through the Saatchi ranks to become second-in-command of the London agency.

Usually when advertising executives break away from their old employers to start their own agency, they hock their houses to raise the necessary capital. Bainsfair Sharkey Trott is different.

BDDP is providing all the start-up finance. It will not say exactly how much it is prepared to invest: "as little as possible," according to Boulet. Sharkey says the new agency will be able to survive on a régime of "outgoings but no income" for "quite a long time".

Although BDDP is providing all the money it will only keep a minority shareholding of 40 per cent. The three founders will own the remaining 60 per cent with a small tranche set aside to be allocated to staff.

At the moment there are no other staff to allocate shares to. Nor are there any clients. BDDP has decided against folding Waldron Allen Henry Thompson into BST, given that the culture of its new agency is expected to be very different from that of WAHT.

Instead it has bought Miller and Leeves, a small London agency, which will be merged with WAHT. So BST will have to forage for clients in an intensely competitive market.

"The market is certainly very tough at the moment," says Bainsfair. "But when times are bad clients are often prepared to run risks by choosing new, energetic agencies."

Eventually BDDP hopes to introduce some of its international clients to BST. After the abortive BMP bid it concentrated on increasing its interests in continental Europe. It also formed a joint venture with Batey, the Singapore agency. Earlier this year it ventured into the US as a minority shareholder in Wells Rich Greene, the New York-based agency.

BDDP, like other ambitious Paris agencies, Eurocom and Publicis, has been helped in its international expansion by the strength of the French economy and supportive Paris banks. It has now assembled a network with projected billings of £900m this year and has amassed borrowings of around £50m to do so.

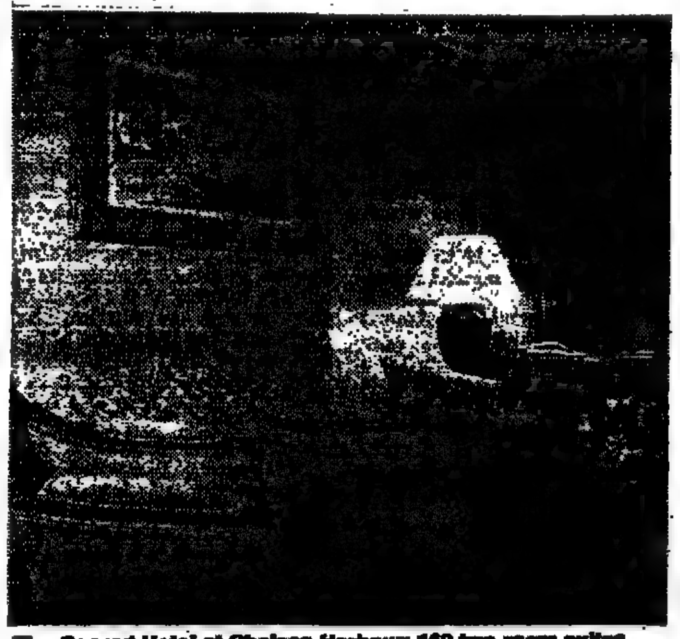
If its investment in Bainsfair Sharkey Trott pays off, BDDP will have found a relatively cheap *entrée* to the important UK market. Jean-Claude Boulet says BDDP is now entering a period of "organic growth and consolidation".

However, there are some deals in the pipelines. He still hopes to find a suitable acquisition in Germany and to raise his stake in Wells Rich Greene.

(L to r) Dave Trott, John Sharkey and Paul Bainsfair: launching into an intensely competitive market

Hotels offering suite dreams

David Churchill on a US trend which may appeal to business travellers in the UK



The Conrad Hotel at Chelsea Harbour: 160 two-room suites

Business travellers staying at the recently-opened Conrad Hotel in London's Chelsea Harbour are getting what many might see as a rather old-fashioned marketing offer more applicable to washing powder than a luxury hotel: two for the price of one.

For £205 per night all guests get a normal-sized bedroom as well as a living room which can be used either as an office or to entertain clients. This is about the same as the price of staying in a single room at most other top London hotels.

The Conrad Hotel, part of the international operations for the US Hilton hotels chain, is the first all-suite hotel in the UK with 160 two-room suites. Although not the first such all-suite hotel in Europe – that honour belongs to the 80-suite Hotel Duca di Milano in Milan – it could represent the first of a new niche marketing concept in the hotel industry exported from across the Atlantic.

All-suite hotels in the US are the fastest growing sector of the lodgings industry and, according to hotel analysts, at present have the highest occupancy rates of any type of hotel operation – about 70 per cent against an average for all hotels of 66 per cent.

The concept is not a new one. It originated in the early 1960s in Grand Prairie, Texas, with the opening of the Lexington Apartments and Motor Inn. By last year, there were over 90,000 suites in all-suite hotels in the US; analysts project this number to grow to almost 300,000 suites by the mid-1990s.

Unlike the Conrad at Chelsea Harbour, many US all-suite hotels are aimed at the budget-conscious leisure traveller. Suite hotels typically offer sofa-beds and kitchen facilities and enable families to visit vacation resorts such as Walt Disney World in Florida at a cost much below the equivalent of staying in a full-service hotel.

Hotel consultants Pannell Kerr Forster estimate that about a third of all guests in US all-suite hotels are leisure travellers, with nearly half business travellers, and the remainder conference delegates.

From a slow start, virtually all the major US hotel chains are now involved in all-suite hotels. Holiday Corporation (which last year divested itself of the Holiday Inn chain to the UK Bass brewing group) is the market leader with Embassy Suites. Sheraton last year joined the fray with four different prototype all-suite hotels.

Hyatt Hotels was initially reluctant to move into the all-suite market as it saw the concept as not fitting in with its up-market hotel range. But the popularity of the concept with business travellers prompted it to take over two existing all-suite hotels (in Palm Springs and Atlanta) and recently to open its first purpose-built all-suite venture in its home town of Chicago.

While all-suite hotels have developed largely as a result of offering no-frills accommodation – typically there are few general hotel facilities and public areas – the latest ventures are closer to a typical full-service hotel in providing facilities such as restaurants, lounges, and swimming pools.

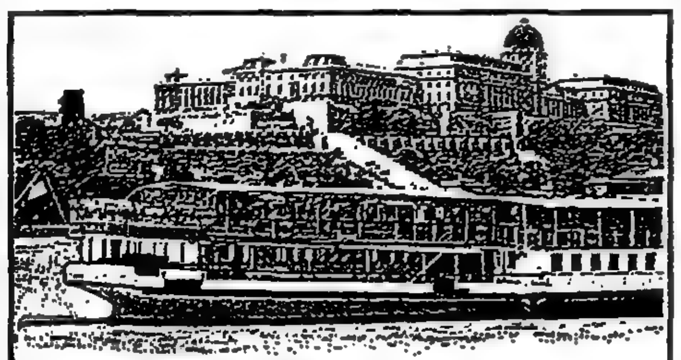
The Conrad, for example, has 24-hour room service, a health spa and indoor pool, and restaurant, cocktail bar, and breakfast lounge.

Will the concept take off in the UK? British hoteliers have so far adopted a cautious approach: "I can detect no great appetite for all-suite hotels to grow as fast in the UK as in the US," points out Paul Slattery, hotels analyst with stockbrokers Kleinwort Benson.

The problem with developing them in the UK is the lack of available large sites; US development was helped by siting all-suites on edges of towns, although the trend recently has been towards city centre sites.

In addition, there are differences of perception between the US and UK markets. "Britons see suites as top of the range and expect to pay accordingly," says Martin Gerty, from the Howarth and Howarth hotel consulting group. "Americans, however, view suites differently; they see them as representing spacious lodgings at all levels of the market."

Where all-suite hotels may best fit into the UK and probably continental European markets, therefore, is at the top end of providing cost-conscious business travellers with the luxury of a suite for the price of a single room. That could be an offer few executives may want to refuse.



BUSINESS LAW

The second Czech revolution

By Karel Dyba, Thomas Jezek and Daniel Arbess

LAST NOVEMBER'S "velvet" revolution in Czechoslovakia was about political freedom. But, as five years of glasnost in the Soviet Union has demonstrated, political freedoms do not put food on the table. They do not assure the average worker the right to benefit directly from his work, and they offer little to attract much needed foreign capital.

These challenges call for a second revolution – one to boost private ownership, stimulate foreign investment and restore Czechoslovakia's standing among the world's leading economies.

The second revolution must offer foreign investors a market environment free of legal risks.

These lurk where the investor is anything less than absolutely confident of the rules of the game, the most important of which are: investments will not be unduly burdened or interfered with by government; and that investors can be sure of obtaining reliable title to property.

Eliminating legal risk requires two kinds of fundamental reform. The first, which we call "enabling" reforms, should level the playing field for private ownership by allowing private companies to compete on equal terms with state enterprises with respect to sourcing and selling on domestic and foreign markets, taxation, and access to credits and foreign currency.

New regulations also have to be implemented to insulate private companies from non-market distortions such as collusion and other forms of unfair competition.

Czechoslovakia has almost completed this first set of reforms. The current joint venture law allows foreign investors up to 100 per cent ownership of domestic companies, and several traditional forms of corporate organisation are available.

Czechoslovak joint ventures are free to buy and sell domestically and abroad and are exempted by law from state planning directives. They are also given more favourable tax treatment than state enterprises and equal access to financing.

The government is also committed to implementing a new competition policy by the end of September and full internal convertibility of the Czech crown by the end of the year.

The right to raise capital and own assets would be purely theoretical, however, if the foreign investor could not be sure from whom and at what price these assets could be bought.

Under the old centralised system this was easy to determine: all property was owned by a monolithic state, and only selected "foreign trade organisations" had authority to deal with foreigners.

Now, virtually anyone can negotiate abroad and, at least for the time being, there is some uncertainty about exactly which enterprises, ministries or municipalities own what – a problem further complicated by the claims of those whose property was illegally expropriated by the old regime.

The government's priority is to resolve these issues with a set of "ownership" reforms which should guide the de-nationalisation of property and establish clear criteria for acquiring and transferring ownership in property.

When this undertaking is complete, by the end of this year, Czechoslovakia will have a comprehensive privatisation programme to govern the transformation of some 3,000 state enterprises.

The basic framework of the privatisation programme is already in place. The first step will be to allocate ownership among the federal, republic and municipal levels of government. The federal government will maintain control of industries of national importance, including, for example, telecommunications, transportation, national defence, mining and certain strategic resources.

The Czech and Slovak republics will own the bulk of assets in the light manufacturing, consumer, banking and tourism industries, along with most of the agricultural facilities.

Properties and businesses which are of local non-public character (such as small restaurants and shops) will then be privatised immediately. As part of this process of small scale privatisation, assets which were expropriated without compensation after 1959 will be returned to original owners. The balance will be privatised in auctions open only to Czechoslovak citizens later this year. Only local public services will remain in municipal government ownership.

Then the process of large scale privatisation will begin. Selected federal and republic enterprises will be de-nationalised, meaning that ownership of productive assets will be transfered to new companies which will be free of the finances and obligations of the central plan.

The conversion process for each enterprise, including authorisation of the transfer of assets and appointment of new management (who, the law will provide, may not be employees of the enterprise), will be overseen by the sectoral ministry which traditionally exercised jurisdiction over the enterprise, in consultation with newly organised inter-ministerial commissions.

After de-nationalisation the company's shares will not be owned by the sectoral ministry (most ministries will actually be abolished once the de-nationalisation of their industry is complete), but rather by a National Assets Foundation (Naf) to be attached to the federal and republic ministries of privatisation.

The next step – the actual transfer of ownership to private investors – will be the most complex and controversial. The key challenge is to set an objective, transparent value for assets where there is no market. One approach is to rely on western valuation experts, but this will be expensive and time consuming. The absence of historical financial data would also limit the range of valuation techniques which could be used.

The alternative is to find a way to simulate market conditions.

The western investment bankers' technique of controlled auction, whereby a selected "market" of investors are invited to bid based on well specified criteria, might be one way to establish a benchmark.

This approach is being used in the first hotel privatisation in Czechoslovakia.

Another way to establish value, while at the same time encouraging entrepreneurial ownership, is simply to give a portion of the nation's capital to its citizens and let the people create a market by trading the shares.

Under the government's so-called "voucher plan", which is still being finalised, every Czechcitizen over the age of 15 would receive a voucher valued at a specific number of "points". All or some of the shares of selected enterprises would be placed on the market for sale in exchange for voucher points.

The vouchers would be registered in the names of individuals and would be non-transferable, but groups of citizens would be allowed to combine their points to buy blocks of shares. The price of the shares would be indicated to some extent by the number of points in total being bid for them, and, ultimately, by the amount which a subsequent buyer of the shares would be willing to pay.

Public distribution of shares under the voucher plan would be only one of many possibilities. Enterprise shares will also be made available, on a case-by-case basis, to a variety of other parties, including foreign investors, employees (at a discount or under an Esop plan), former owners, and possibly government pension funds. The Naf might also retain a certain number of "golden" shares for itself.

Proposals as to how the shareholding pie is to be sliced for each enterprise will be made by the company's management, but each plan will have to be approved by the relevant ministry of privatisation (and, in certain cases, the legislature).

One way or another there will be an important role, and opportunity, for western investors.

Western businesses visiting Prague in recent months have already influenced the shape of the second revolution by demonstrating the power of the entrepreneurial idea. Now, with the rules of the game finally in place, they can help bring it to life.

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ARTS

The Mayor of Casterbridge

EVERYMAN THEATRE, CHELTENHAM

The seesaw fortunes of mayor Michael Henchard, the romantic reverses of Donald Farfrae, the family complications of Elizabeth-Jane, these are no more than some particular features of the life of Casterbridge.

The town and its people are the heroes of Chris Hawes's ingenious adaptation of Hardy's novel. We see 24 townies beside the three Henchards, Farfrae and Lucetta; they are acted by eight players, all of them musicians (one even gives us a cadenza on the serpent), and these provide the atmosphere of the 19th-century agricultural life, not only by their occasional activities, but by a musical transformation of daily activities.

Every chance is taken for a hymn or a folk-song, there are even a few choral settings of what are virtually stage-directions. The music, arranged by the musical director, Paddy Cunneen, and his little band, is as charming as it is effective, and has about it a genuine feeling of Hardy.

The events of the novel are clearly presented, though leaving out Henchard's sale of his wife at the beginning until it is recalled by the disorderly woman before the magistrate (Henchard, of course) evidently left some people dubious for a while. Once Henchard (commandingly played by Stephen Ley) has recovered his wife and Elizabeth-Jane, whom he believes to be his daughter, once Donald Farfrae (Andrew Henry) has given up his intention of emigrating and become Henchard's foreman, everything goes ahead in the style chosen by the adaptor and the director, Ian Forrest.

This is broadly based on Greek drama. Sometimes characters, instead of acting in ensemble, say their words straight out, right downstage, under a spot. Activities like weddings, dancing at the fairs that occupy so much of Casterbridge's leisure time, the mocking "skimmity-ride" that leads to Lucetta's death, are ably played by what is virtually the Chorus; when detail is missing, there is suggestion enough to supply it. The evening lasts just over three hours. If the third of the three acts seems a bit long, the fault is Hardy's.

Stephen Ley and Andrew Henry are great at the fight in the loft. Margo Gunn as blonde Lucetta suggests Paris rather than Jersey, but perhaps this is how she struck the simple folk of Casterbridge. Sandy McDade is so thin as Elizabeth-Jane that you do not wonder at her constant misery; as her mother (and Susan was her mother, no matter who her father was), Heather Williams's Susan was similarly withdrawn, save in her gladness at being sold to Newson.

Nettie Edwards has provided a permanent set, a backing of dark autumnal colour, with a steeply-raked semi-circle sloping to the front of the stage.

The Everyman's revival of its old way of mounting a play of literary interest to correspond with the Cheltenham Literary Festival is welcome indeed.

B.A. Young

CINEMA

Paired by prankish destiny

SILENT SCREAM (15)
Metro

THE LITTLE MERMAID (U)
Odeon Marble Arch

THE MATCH FACTORY GIRL (15)
Electric

BIRD ON A WIRE (12)
Empire

WINGS OF THE APACHE (15)
Cannon Oxford St

THE SALUTE TO THE JUGGER (18)
Cannon Panton St

THE ENCHANTMENT
ICA

One of life's dilemmas, made famous by the late Balaam's ass, is how to choose between two identical piles of hay. A film critic faces this problem each week: with the difference that the piles of hay may be as many as six or seven.

Take this week. Should he favour *Silent Scream*, the bad but ambitious British film about real-life artist-prisoner Larry Winters? Or the Finnish minimalist murder story *The Match Factory Girl*? Or should he give priority to one of the multicoloured piles of hay flown in from Hollywood?: Mel Gibson and Goldie Hawn in the chase romp *Bird On A Wire*, the Disney animation feature *The Little Mermaid* or the flying adventure *Wings Of The Apache*?

The only fatal decision is indecision. Yet a true reflection of the critic's experience would be an inner journey through a kaleidoscope of impressions, a Joycean log-ride on the stream of consciousness. In this state he could mentally blend the hectoring piety of *Silent Scream* with the wit and assurance of *The Little Mermaid*, or the skittishness of *Bird On A Wire* with the psychological resonance of *The Match Factory Girl*.

Since it is British and won a top prize at the Edinburgh Film Festival, let us begin with *Silent Scream*. Director David Hayman of Scotland's "7: 84" theatre company has turned the story of Larry Winters, who died of a drug overdose in Barlinnie Prison in 1977, into a collage of memories and hallucinations. The film tries to render a fractured mind through a fractured narrative.

Condemned for murdering a publican in Soho in 1965, the jailed Winters expressed his beleaguered individualism by writing and painting. Cue for Moviedom to turn him into a Van Gogh of the British penal system, which Hayman duly does by coaxing an agonised performance from Iain Glen ("Look Ma, genius, primal animal as you clutch those prison bars, Iain!"), by assaulting us with flashbacks and by filling the screen with everything from ghosts to bits of animation to Fellini-like visions of London's red light district.

Cooked at a high enough pressure, this genius-goes-to-jail story might have worked. But the enterprise is constantly defused by banality. Drawling psychiatrists are brought on so that we can chuckle contemptuously at them. The absurdities of legal plea-making are even more absurdly pointed up. ("Good news. We've had the psychiatrist's report. You've got an abnormal brain"). And in case we forget that Winters was an Artist with a capital A, his room is plastered with Jimi Hendrix posters and Tenniel drawings for Lewis Carroll's *Alice*.

A movie that special-pleads for a murderer as galumphingly as this could turn us all into David Waddingtons. However, I have dusted myself down and I find that my liberal sympathies are intact. My feelings are still: No to hanging, no to flogging and no to pious movies about murderers that try to mug us rather than persuade us into sharing their views.

There are, it is said, only six basic plots in the world. Like *Silent Scream*, *The Little Mermaid* is the one about someone trying to beat his or her way to life's surface from a suffocating internment. Mermaid fancies passing Prince and defies disapproving father (King Neptune) by eloping with him to terra firma.

The film has the following advantages over *Silent Scream*: a singing crab, a lot of colourful animation and some of the best Disney comedy and music in years. The said crab is one J. Crustaceous Sebastian, a J.S. Bach to the court of the trident-wielding King, and his big calypso number "Under the sea" is an show-stopper in the grand Walt Disney tradition of "Hi-ho, hi-ho" and "When you wish upon a star."

We must also applaud the octopus villainess, a *bel canto* diva floating on tentacles as convoluted as an concert gown. And we must give a special mention to the singing French chef, who presides over the virtuoso preparation of a palace meal watched in stark terror by the vulnerable crab. Good-humouredly written and directed by John Musker and Ron Clements (of *Basil The Great Mouse Detective*), the film can even be forgiven its bikini'd mermaids.

The Match Factory Girl and *Bird On A Wire* are opposite movies paired in the same week by a prankish destiny. They illustrate complementary paradoxes of cinema. The first, directed by Finland's Aki Kaurismäki (*Leningrad Cowboys Go America*), travels long distances emotionally and psychologically without appearing to move at all. The second moves like the clappers for 111 minutes and gets absolutely nowhere.

Kaurismäki's tale is but a humble sprig on the tree of movie minimalism, bowing respectfully to the likes of Dreyer and Bresson. But if it is minor, it is also mesmerising. Our heroine (Kati Outinen) is a shy young factory girl, plain and duck-faced. Almost no one will dance with her at the local disco; her parents are two lumps of flesh immobile over their TV dinners; the match factory is no fun; and one day she is made pregnant by a bearded yuppie.

No more plot. Your further enjoyment I will not spoil. Enough to indicate the tragicomic presence of rat poison in the story, and to say that watching this film must be like having one of those terrifying bungled anaesthetics. You watch immobilised but fully alert as the instruments of pain descend towards you, powerless to move or speak, hypnotised by a future that is as ineluctable as history.

Bird On The Wire, directed by John (*War Games*) Badham, is an opposite experience. Watching it is like downing an entire bottle of "uppers" and then finding you have nowhere to go and nothing to do. Result: a near-lethal case of the existential fidgets. Mel Gibson and Goldie Hawn are the couple being chased by baddies. He is an ex-crook turned state's witness whose police protection programme seems to be failing him badly. She is the ex-girlfriend turned lawyer who helps him.

They career across America looking for a plot. There are scenes involving gay hairdressers, man-eating animals, posh restaurants usurped by chaos, ladies in deshabillé and the lovable incompetence of the FBI. In short all the file-indexed fatuities of the Hollywood caper film are here. I laughed twice, jumped once, and wrote down one apothegm for possible future plagiarism. "You know what they say about the '60s," quips Mel Gibson. "If you remember them, you wasn't there."

I was there at *Wings Of The Apache*, but I seem to have forgotten it already. A sort of *Top Gun* with helicopters, it hurls Nicolas Cage, Tommy Lee Jones and Sean Young (first ever woman in combat in a Hollywood film, says the blurb) into a plot about the US Army fighting the South American drug barons. Directed by our own David Green (*Buster*), the film is mad, bad and dangerous to know; but not enough of any of these things to be interesting.

Still, it surpasses *The Salute To The Jugger*. Somewhere in a blitzed and mythical 20th century the world is a gladiatorial wilderness. Warriors with names like Salo (Rutger Hauer) and Gonzo (Anon.) stalk the land, searching for the Underground City. Here death or glory will be decided. It is a harsh life and it could be harsher. "You've got one eye and two good legs," says someone to Mr Hauer; "It's bad enough. But don't f— with the nine cities."

What does he mean? It is all very confusing. As are the reasons for Hauer and co-star Joan Chen (of *The Last Emperor*) getting involved in a movie whose skimpy decor and production values suggest it was funded by a consortium of bag ladies with liquidity problems. David Peoples wrote and directed.

Nagasaki Shunichi's *The Enchantment* is a cool and curious Japanese film about love, psychiatry and death. Classy, glassy visuals; medium-interesting plot; and no juggers in sight.

Nigel Andrews

Mel Gibson and Goldie Hawn in 'Bird on a Wire'

Scene from 'The Little Mermaid'

Philharmonia

ROYAL FESTIVAL HALL

The death of Leonard Bernstein cast an unexpected pall over Neeme Järvi's appetising concert with the Philharmonia on Tuesday. Not that the audience filed in stricken with grief (most music-lovers will have felt sharp regret at his passing, but we weren't his intimate friends); rather, somebody had decided — with devout intentions — that he must be honoured by altering the programme, and the broken-backed result was something that Bernstein would never have countenanced.

The original plan was unimpeachable: moody early-ish Sibelius (the suite from his *Pelléas* score-music) followed by snook-cocking early Shostakovich (the concerto for piano with trumpet), and then as *pièce de résistance* a complete *Miraculous Mandarin*, the first orchestral masterpiece of Bartók's maturity. In Bernstein's memory the solemn little "Andante Festivo" of *Sibelius* was added to that short programme as preface, or epigraph.

So far, fair enough; but further, the gentle *Pelléas* Suite was moved to last place, apparently so as to conclude with the "Death of Mélisande" (the conductor insisted on a long subsequent silence), after a truncated *Mandarin* — just the "suite" from the ballet, which scraps the last third of the score, several minutes longer than the Sibelius "Andante Festivo", and ends abruptly. It is a dated compromise from the days when Bartók's music was thought forbidding, and it deserves no place in a modern programme. Not to hear the work rounded off is wildly frustrating, if you know the music: especially this time, when Järvi had enlivened the earlier venereal episodes with such artful, malicious comedy.

Since the changes to the promised programme were announced only in the programme-book, some audience members who economised by not buying the latter (four pages of notes on the music, 30-odd of advertising and Philharmonia self-advertising) may believe that they heard the whole work. As well, one movement was dropped from the Sibelius suite, unbeknownst to the note-writer. Only Shostakovich's sparky Concerto remained quite intact, and luckily it was delivered with high imaginative mettle by Vladimir Ovchinikov and John Wallace.

But how damply and unsuitably the concert ended! Among Bernstein's many dazzling facets, none reflected anything like frail little Mélisande, slipping passively away; whereas in the concert-as-advertised Bartók's indomitable Mandarin, who has to be killed three times before his lust for sensual life is assuaged (in the portion of the score that we didn't hear), offered rather a beautiful parallel — and suitably indecorous, too.

David Murray

Artur Pizarro

QUEEN ELIZABETH HALL

Artur Pizarro, this year's Leeds Competition victor, is not a newcomer to London — his debut recital, last year, was favourably received, and he followed it with a couple of South Bank concerto dates. The atmosphere was not charged at the Leeds winner's London recital on Tuesday, as it has been on several previous occasions of the kind; the reason could well be that the 22-year-old Portuguese pianist has already made his mark on the London scene, independent of competition ballyhoo. In the best sense, he is not just a new face.

Even without having attended the Leeds or surveyed the other prizewinners, one sees why he won. Pizarro is not just a superlatively gifted pianist but an "established" one: his very posture at the keyboard betokens a sure, confident performer, and in the three works on Tuesday's programme — Debussy's *Children's Corner* Suite, the Rakhmaninov Second Sonata, and the second book of Chopin Studies — he entirely avoided making the splashes and miscalculations associated with the inexperienced or wound-up young executant. The music flowed with beautifully liquid, easy confidence; the combination of poised sound and precise aim was at once remarkable and reassuring.

Pizarro is a pianist in whom great natural talent and fine schooling have been excellently matched. The tone-quality possesses both a sunny brightness and a tender glow; the agility of the fingers and their unfailing accuracy in distinguishing markings for subtle musical purpose (for instance, the expert gradations of staccato and half-staccato) belong to a virtuoso. Yet the impression he left in even the most torrential surges of the Rakhmaninov and the Chopin A minor Study (Op.25, no.11) was not so much dazzling as vital and musicianly. He is a "singing" shaper of melodies and inner voices; he doesn't rush detail; he gives each sentence and paragraph air to breathe.

All this said, Pizarro is not, at this stage of his career, a very individual or, indeed, a very exciting pianist. The Debussy was particularly revealing. For all its soft-spun textures it lacked quirky fantasy; the overall effect was finally just a little too smooth and suave, too "safe". In the Chopin, likewise, the refusal to achieve at all costs an "interesting" interpretation was admirable, but the avoidance of risks and passionate, brilliantly dramatic strokes was perhaps a little less so. Mr Pizarro's natural gifts are abundant, and his basic approach to the piano is wonderfully sound. Now one looks forward to the blossoming of his artistic personality.

Max Loppert

Cher

WEMBLEY ARENA

On the surface everything is re-assuringly familiar: the star is famous, the band as steady as a rock, the dancers seem in the last stages of a narcotic frenzy, the light and sound crews inter connect like Torvill and Dean, the songs were crafted to power car radios all the way down the California coast from Monterey to Malibu. There is nothing for the comfortably middle aged in the audience to do but tap a sedate foot, wallow in the well ordered energy, sit back and enjoy.

But below the surface there are squirming questions. What is wrong with Cher, the product inside the packaging, which motivates her to undress on stage in such a remorseless way? When she was hitched to Sonny all those decades ago she was sedateness personified. But somehow age has transformed her into a sexual fantasy, pushing the cleavage ever lower, the crotch ever higher, so that when she sings "Bang Bang" she is clothed in just slivers of black Band-aid, on top of sky high leather boots.

Apart from a perfunctory illusion to the plastic surgeon's knife, ("How do you like my new ass?"), Cher is charm itself and there is nothing in her act to justify the body baring. She is actually old fashioned to the extreme, a typical Las Vegas trouper who compensates for an unexceptional voice with years of acquired stage craft. To prove what a serious artist she really is there are long sequences of highlights from her movie career projected on to a giant screen which pass the time as she slips from little red dress into black mini into the aerobics outfit which closes her act.

Unlike Madonna, who projects her man-crunching raunchiness with total conviction, and was born to basque, and Tina Turner who laughs at her sexual image, Cher comes across as a comparatively unaffected and aimable woman, the pivot of the school run. She is at her most relaxing at the finale when, sensibly clothed, she orchestrates a roaring version of "Fire down below", which sends the seven dancers into a paroxysm, and allows the band to blow its brains out.

Rock classics, like the Eagles "Take it to the Limit" and Jimmy Cliff's "Many Rivers to Cross", feature largely in her repertoire, making her the ideal guide down memory lane for those good old boys who reckon pop music lost its way some time around 1975. She would make an ideal Radio Two DJ — and they rarely feel the need to expose their navel in public.

Antony Thorncroft

ARTS GUIDE

October 12-18

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Musée des Arts Decoratifs. Panoramic wallpapers for wealthy French bourgeois of the 19th century who felt the need for a change in their comfortable but somewhat boring life. 107, Rue de Rivoli (42603214), closed Mon, Tue. Ends January 21.
Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French and foreign, cover a wide range of periods and styles. Ends October 7.
Louvre. Euphronios. Some 80 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205166).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honore (42895381).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils and drawings by the Ecole de Barbizon, precursors of the impressionists. 11, quai voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, Wed late closing, ends January 14.
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 300 Paleontological exhibits. Daily ends Dec 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Fundacion Juan March. Cars. Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on loan from Daimler-Benz in Stuttgart.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of top rate artists over a 500-year period. Ends December 9.

Barcelona

Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme of oriental philosophy in an interchange with the Kestner Gesellschaft in Hanover. Closed Mondays. Ends November 18.

Rome

Palazzo Degli Esposizioni: Norman Rockwell. Oils, watercolours and sketches from the years 1915 to 1972 by a remarkable artist, who for over 40 years designed the front cover for the high-circulation Saturday Evening Post. Ends November 11.

Venice

Palazzo Grassi. From Van Gogh to Picasso — from Kandinsky to Pollock. This exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Ends December 9.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747). Over 100 works by a late-flowering baroque painter, born in Bologna, whose works are now considered on a par with his distinguished predecessor, Guido Reni. Ends November 10.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 28.
Augsburg, Kunstverein, Toskanische Saeulenhalle, Zeugplatz 4. Paintings and lithographs by the Spanish painter Antoni Tapies, born in 1923, covering the last 10 years are to be seen until November 11.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. Among the artists are Georg Baselitz, Gotthard Graupner, Bernhard Heiliger, Gerhard Richter, Günther Uecker and Rolf Szymanski. Ends December 2.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. Among the other artists are Matisse, Derain, de Vlaminck, Picasso, Kirchner, all influenced by Van Gogh. Ends Nov 4. Goethestrasse 414300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. Until November 25.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck nature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals.
Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists — a good opportunity to observe new developments and directions in Japanese art.
National Museum. Masterpieces of Japanese Art. This selection of 250 major works includes rarely seen pieces from the Shosoin Treasure house in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. Closed Mondays.
National Museum of Western Art. William Blake. 200 idiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. Closed Mondays.

SALEROOM

Weaker demand for Impressionists

Sotheby's sale of second division Impressionist and modern art yesterday provided a predictable snap shot of the market. It totalled £2m in the morning session but with 31 per cent unsold. In the comparable auction a year ago 10 per cent had been unsold. So demand is much weaker but there are still buyers at prices which are on average 30 per cent lower than in the autumn of 1989.

Fortunately for the auction houses Japanese dealers are still acquisitive. They bought the top four lots yesterday, showing their partiality for artists like Utrillo, Vlaminck and Foujita who concentrated on a familiar, often repeated, image. The top price was the £115,500 (at the high estimate) paid for "Bouquet de fleurs dans une vase" by Vlaminck.

A Utrillo scene in Montmartre beat its forecast at £110,000 while an early Utrillo of 1905, a view from the studio where he lived with his mother, the artist Suzanne Valadon, made £99,000. The same sum secured another Utrillo Montmartre scene. A European buyer gave £99,000 for a small 1874 sketch by Cézanne of the countryside near Paris.

Christie's sale of decorative arts from 1880 to the present day brought in £705,980 with 19 per cent unsold. A Gallé landscape vase "Paysage Vosgien", 43.5 cm high, beat its target at £39,600 and a double-overlay table lamp, 55.5cm high, also by Gallé was on forecast at £35,200. Top price among a group of lithographs and oils by Louis Icart was the £33,000 paid for a signed oil, "Reclining girl with parasol".

Sotheby's opens its doors today to an exhibition of 36 items of silver from Eton College. The College collection stretches back over 400 years. The oldest object on display is an early 16th century silver mounted coconut cup, a gift of John Edmonds who was elected a Fellow in 1492. It was hoped that the silver mount would nullify the effect of poison. There is a silver gilt Livery pot of 1598 and a silver gilt ewer and basin bought by the College in 1613. Unique to Eton are the King's Cups donated to the College by King George III in 1762.

For the first time in a decade Christie's at South Kensington is devoting an auction entirely to fountain pens. Over 250 pens will be on offer on November 8. The most expensive lot should be a silver filigree Waterman pen, top estimate of £12,000.

Antony Thorncroft

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The end of an empire

WHAT STARTED out three months ago as a debate on the future of the Soviet economy has inexorably widened into a dispute over the fate of the Soviet empire. That is why the attempt to cobble together a compromise between the government's economic plan and the 500-day reform programme named after Professor Stanislav Shatalin has dragged on so long, and so inconclusively.

From the Baltic states to the transcaucasian and Moslem republics in the south, the calls for independence and national sovereignty have grown more insistent as the command economy that once bound them together has lost power and coherence. Disintegration at the margins of Empire has been accompanied by disaffection at its Slav heart. This disaffection is symbolised by the emergence of Mr Boris Yeltsin as the popular, elected leader of the Russian Federation on an anti-communist, nationalist platform and by increasingly assertive independence movements in Byelorussia and, above all, the Ukraine with its 52m people.

The debate ostensibly taking place on the relative merits of a revised command economy, as outlined by Mr Nikolai Ryzhkov, the prime minister, or of a full-blooded market system, is not exclusively about economics. It is really a struggle between those who fear chaos if the Empire unravels and those who see its dissolution as the necessary precursor of a new "commonwealth" and market relationships.

Nuclear nightmare

Mr Ryzhkov, and conservatives in the communist party, the central planning apparatus, the army, the KGB and many ordinary Soviet citizens know that Russia has suffered in the past both from domestic "times of troubles" and foreign invasions. They are not merely defending their own powers and privileges when they insist that key elements of the old command system must be retained until an alternative system is up and running. An economically weak and politically disintegrating Soviet Union, but one that is also stuffed with nuclear weapons from the Baltic to the Pacific, could indeed be a nightmare, and not only for the peoples of the Soviet Union.

No wonder most western governments and observers – not to mention the selectors of the Nobel peace prize – have supported President Mikhail Gorbachev. His policy is seen to combine preservation of the Soviet Union with large scale disarmament, economic and political co-operation with the west and liberation for eastern Europe.

Broken instrument

The defects in this analysis are that the command system was the instrument of a regime based on terror, while many parts of the Soviet Empire were incorporated by force and kept in against their will. Without fear the command system does not work. Under conditions of greater political freedom the constituent parts of the empire demand their independence.

The apparently abortive attempt to marry the Rhyzhkov and Shatalin plans for the economy means that western governments and business will have to look more closely at the wider political and economic implications. The logical conclusion, as Mr Yeltsin and his supporters argue, is that the command system has to be replaced by the market and the empire by a new constellation of sovereign states.

This is easier said than done. Sovereign states expect their own armies, currencies and governments – as well as parliaments, flags and policemen. Market economies would require a new mentality – as well as new laws and institutions.

The question is whether such changes can best be accomplished by a vast, unwieldy empire or by dissolution into its constituent parts. Up to now the assumption has been that a common currency and some form of over-arching political framework was necessary to provide an orderly framework for change. But with the rouble apparently heading for runaway inflation and the republics agitating for independence perhaps it is time to start contemplating a post-imperial future. It is not that this is necessarily the best imaginable alternative. It may soon be the only realistic one.

The private shareholder

THE private shareholder has long been a declining force in the stock market. When the Thatcher government saw political merits a decade ago in reversing the trend it could only do so superficially: the number of shareholders has increased substantially, mostly because of privatisation issues, but the proportion of shares owned by the investment institutions has continued to rise. Share ownership has become wider, but shallower.

Now the CBI has joined the battle, with the publication of a report by its Wider Share Ownership Task Force. The establishment of this body probably reflected the anxiety of industrialists two years ago over the future of their relationships with the increasingly dominant institutions. At the peak of the takeover cycle these shareholders were perceived as ever more distant, unhelpful and disloyal.

In contrast, private shareholders are regarded as more stable and dependable, although the evidence for this is variable. Clearly, too, there are also attractive political and economic motives for capitalist leaders in developing a wider constituency of investors: this is most directly relevant for employee shareholders, but the same applies in diluted form to the public at large.

The Task Force has therefore come out in favour of promoting wider share ownership, and has devised a list of measures which might help in that direction. Generally they can be described as falling into the worthy but dull category: more tax relief, an educational programme, better marketing by stockbrokers and so on.

People's capitalism

Yet the report fails to get to the heart of the problem. Perhaps it is unrealistic to expect a body mainly reflecting the industrial establishment to do so. It has been left to an independent member of the Task Force, Lord Vinson, a long-standing propagandist for a people's capitalism, to attach a supplementary statement regretting the majority decision that consideration of the wider implications of the growth of company pension schemes did not really come within the report's remit, and should be considered by another committee.

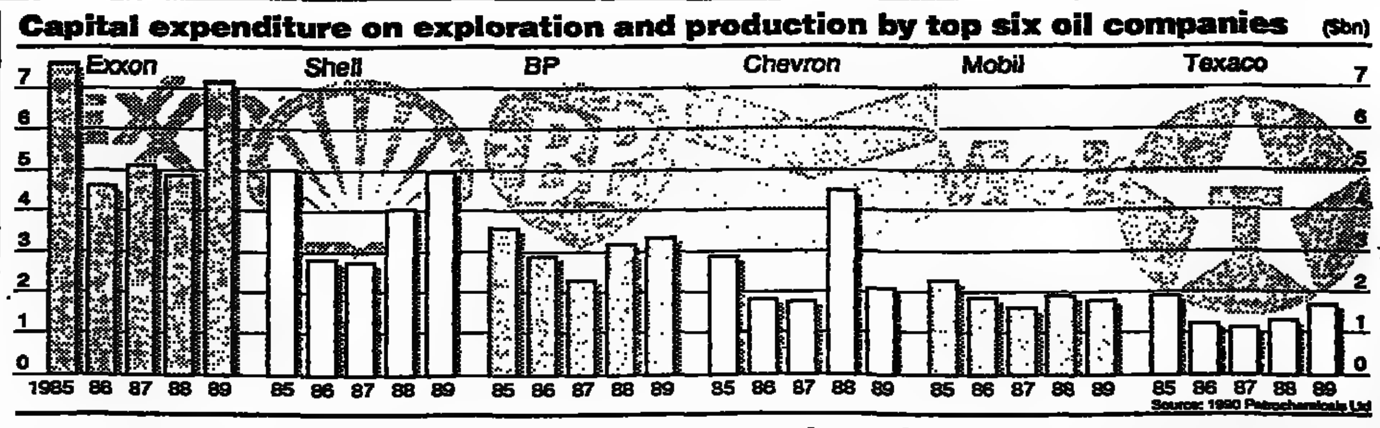
Two key issues need to be addressed in the wider share ownership debate. One is whether it is realistic to promote the concept of the amateur investor in an age of specialisation and professionalism. The middle classes do not mend their own cars, install their own central heating systems or even, when things get complicated, fill out their own tax forms. So why should they run their own investment portfolios, a task which requires at least equal skill to the others mentioned? There will always be a small hobbyist fringe, but this cannot be a central focus for those seeking to reform the shareholding structure of the corporate sector. Only about 0.5 per cent of the population now owns a serious portfolio containing more than 10 shares.

Institutional ownership

The other issue is that there are very powerful forces driving the growth of institutional ownership. Companies themselves have been very much at the forefront of this trend by collectivising the financial provision of their employees for old age. Pension funds have raised their aggregate stake in British listed companies' equity capital from 7 per cent to 32 per cent within the past 25 years. In all, institutions now own some 60 per cent. The reasons for this predominance include tax, but also convenience, marketing and risk control and so on. To reverse the trend would require a mighty re-tilting of the playing-field, and it would be extremely controversial.

It would not be right, however, to dismiss the Task Force's report as being irrelevant and harmless. It may not provide a wholly satisfactory answer but it does highlight the problem. In seeking to restore some of the lost prominence of the private investor it reflects the industrialists' fear of the institutions and the vacuum that is growing at the heart of corporate governance; instead of trying to recreate the past, however, industry would perhaps do better to find new ways of establishing relationships with its dominant proprietors.

Capital expenditure on exploration and production by top six oil companies ($bn)



Source: 1990 Petrochemicals Ltd

The oil companies face some murky truths, writes Steven Butler

Challenges beyond the Gulf crisis

Before Iraq invaded Kuwait on August 2, the international oil industry had been settling in for what it thought would be a difficult but none the less profitable decade. In the event, the profits have come rather more quickly than expected – but so too have the difficulties, and the longer-term outlook is suddenly murkier than ever.

Mr Robert Horton, chairman of British Petroleum, won few friends in other oil companies when he said soon after the invasion that BP would make $200m in extra profits for each $1 rise in oil prices. The public was reminded again that the oil industry was doing quite nicely, thank you very much, when almost everyone else was suffering.

In reality, however, the crisis is good news for oil companies only in the most narrow perspective – profits this quarter, and maybe next. Beyond this, potential uncertainties over prices, demand and possible government intervention have, if anything, been multiplied.

When oil prices soared during the Iranian revolution 11 years ago, the industry was set up for a painful decade. Oil explorers spent like crazy, with US oil drilling doubling between 1979 and 1981, until they found themselves dangerously overextended when oil prices collapsed in 1986. Meanwhile, the refining, marketing and chemicals operations of many companies were ruthlessly pruned back. Having lived through and learned from this roller-coaster, the men who now run large oil companies will try to avoid repeating the experience.

Almost to a man, oil executives have learned that price cycles, sometimes involving wild and unpredictable swings, are just part of the business. Yet however events in the Gulf unfold, their repercussions will be felt for the rest of the decade.

A wide, though not universal view had gradually evolved in the oil industry that prices would rise gradually, though erratically, in real terms, as the world became increasingly dependent on Middle East oil exports. Most members of the Organisation of Petroleum Exporting Countries would be producing at capacity for the foreseeable future, while the few with spare capacity would engineer a gradual increase in prices – enough to increase revenues but not so much as to choke off demand. Natural gas would be a growing and increasingly profitable segment of the business.

Refining oil, so the argument went, would also become more profitable. Excess refining capacity, which plagued the industry throughout most of the 1980s, was falling as a result of increased demand. Rising consumption of highly refined products, such as petrol, and higher-quality standards would increasingly reward refiners who had invested in sophisticated equipment to meet the world's changing fuel requirements.

This broadly positive scenario was balanced by the awareness that huge investments would be required to meet the stringent environmental standards being formulated by governments. Oil companies would be required to cut the emissions from refinery and other operations as well as to produce cleaner fuels.

How has the crisis changed this outlook?

● Prices: extreme short-term volatility aside, companies have not yet revised long-term price forecasts that form the basis of investment decisions. Predictions for oil prices in the event that war breaks out in the Gulf range from below $50 to more than $100. Should the crisis be resolved peacefully, and Iraqi and Kuwaiti oil exports resume, prices could plunge swiftly as oil companies reduce inventories while other producers who have boosted production turn their taps down slowly.

"People's views on where you might be in 1995 haven't changed," says Mr David Grey, an analyst at the stockbroker James Capel. "What has changed is the path of prices that gets you there."

None the less Mr Grey agrees that oil demand later in the decade is likely to be lower as a result of the crisis than it would have been, and this implies lower prices. There are two reasons for this. First, today's higher prices, even if only short-lived, have reminded everyone about the risk of price volatility and will encourage investment in energy-efficient industrial equipment and consumer durables such as cars and refrigerators. Second, the Gulf conflict will prod governments to boost energy security by reducing dependence on imported oil.

● Refining: the Gulf crisis has highlighted the constraints in the world's refining system, which is unable to process fully the heavy crude oils that have replaced the lighter crude oil that was exported from Iraq and Kuwait. Even before the invasion, Arthur D Little, the consulting group, projected that US refiners would have to invest between $8bn and $11.8bn during the decade, depending on the proportion of cleaner "reformulated" gasoline they were required to produce under US "clean air" legislation. In Europe, $4.1bn would be needed to meet the rising demand for chemically lighter oil products such as petrol. "The refining industry is one where there has been massive under-investment for the past 10 years," says Mr Grey.

Refinery managers, however, would have to argue for these funds in the light of their poor financial performance during the past 10 years of excess capacity. They are losing money today and there is no guarantee that the record will improve. With the policy of western governments likely to curb demand for refined products, they face a risky future.

● Exploration budgets: with expectations of higher oil prices in the years ahead, oil companies had, in the past two years, begun to spend more money on exploration before the Gulf crisis caused prices to soar. No oil company will admit to planning an increase in exploration spending after only two months of higher prices, and only the brave would increase spending sharply. None the less explorers will find it much easier to argue for more money to drill extra wells because the money is flowing in now, and spending should start to creep up. "If oil prices stay up, by the spring we may see a lot more spending," says Mr John Wood-Collins, a consultant at Arthur D Little.

● Gas: in most markets, gas prices rise with oil prices. But high prices may threaten the use of gas in electricity generation, where the competing fuel is usually coal. Longer term, the environmental advantages of gas seem certain to boost demand. Yet proposed projects such as Nigeria's $2.5bn natural gas liquefaction plant face daunting risks when they must spend billions of dollars over five or six years before earning a penny. A small change in prices can have a serious effect on the economic viability of such huge projects.

Mr Wood-Collins says: "It is easier to finance projects when you have confidence in the stability of the price."

● Strategy: Mr Horton last week stressed the importance of co-operation between oil companies, which can offer market access and technologies, and the governments of countries rich in oil and gas, which need an outlet for their commodities. BP's recent link with Statoil, Norway's state oil company, in the European gas market is the sort of mutually beneficial alliance to which he was referring. Oil companies are looking for joint ventures in the Soviet Union, Venezuela and elsewhere. The Gulf crisis has little direct impact on these strategic ties although it raises the premium on secure supplies of oil outside the Middle East.

● Environment: a US senator is said to have remarked that the US would return to a "he-man" policy that put energy security over the environment in the wake of the crisis. US dependence on imports has been highlighted, and this may help to open environmentally sensitive areas to exploration, such as offshore California. Yet energy conservation is supported both by environmentalists, who wish to reduce pollution, and those worried about energy security, who want to cut imports. "You will see a convergence of interests between groups advocating energy security and environmentalism," says Mr Daniel Yergin, president of consultants Cambridge Energy Research Associates.

While Iraq's invasion of Kuwait is certainly the crisis of the moment for the oil industry, it is the longer-term pressures of environmentalism that will reshape the industry more fundamentally.

BOOK REVIEW

The seamy side of LBJ

MEANS OF ASCENT: the years of Lyndon Johnson
By Robert A Caro
Bodley Head. £20

Charity is not an essential ingredient of a good biographer, but it can help. Thus, in wondering how on earth to assess this second monumental volume of Robert Caro's uncharitable disinterment of the early life and times of Lyndon Baines Johnson, inspiration was sought in a book on baseball and duly found in a passage by the sainted Roger Angell of the New Yorker:

"I can no longer remember the exact moment when I stopped thinking of Babe Ruth as a demi-god, having somehow learned – I was ten or twelve years old – that he was much given to drinking and gluttony (I could see that he was fat) and prostitutes, but the news somehow made him more interesting to me, rather than less, and it did not impel me to emulate his disreputable habits or turn on him because he had somehow let me down."

For Mr Caro, the discovery that LBJ had all Babe Ruth's faults, and many more besides, including cowardice, hypocrisy, and outright dishonesty, seems overwhelming to the point that his judgment is rendered inherently suspect. One prominent American reviewer has described this book as "an almost unrelieved litany of impassioned disgust".

In the biographer's defence, it must be said that LBJ, never a demi-god, was always going to be among the most difficult of American politicians, let alone presidents, about whom to form a balanced view.

Additionally, the years covered by Means of Ascent, from 1942, when he failed to get into the US Senate, to 1948, when he "stole" the Senate race from a legendary Texan, Coke Stevenson, were Johnson's unambiguously dark ones, as he stared political, social and financial failure in the face.

Mr Caro promises two more volumes, plus a distillation of all four, in which to make the record complete. At his present rate of progress, and given the prodigiousness of his research, this should take us well into the next century, by which time LBJ will be considered an historical, rather than contemporary, figure.

What cannot be denied, however, is that the author is also a magical story teller. The jacket of the British edition of this book quotes a glowing FT review of the first volume, The Path to Power, praising it as "truly sensational . . . totally original."

That review had some critical comments as well, as I should know since I wrote it, not the least of which was to wonder how Mr Caro was going to keep it up. But praise should be given where it is due and what illumined volume one is equally evident in Means of Ascent.

The account of the fight against Stevenson is riveting, even if the juxtaposition of Johnson's utter ruthlessness against his opponent's unsullied decency is so stark as to stretch credulity. If Stevenson had been as above reproach as Mr Caro would have us believe, then the state of Texas, which likes its politics dirty but which had previously elected him governor virtually by acclamation, would never have given LBJ a look-in.

But it was a landmark campaign in many respects. Never before had the US seen one so dominated by the use of polling, media, and modern communications, each designed by LBJ to make the most of whatever weaknesses could be detected in his opponent. LBJ's use of a helicopter, contrasted with Stevenson's much less ubiquitous horse, dragged national politics into the 20th century, in which, perhaps sadly, it remains mired.

Nevertheless, the weight of evidence – that LBJ and his associates had to rig the vote (he won by a mere 87 out of 988,295 cast) – is conclusively assembled. A fair amount of LBJ's subsequent career was devoted to laying this allegation to rest. He insisted, for example, that it was Lady Bird Johnson's determined last-minute telephone campaigning that in the end tipped the vote.

Mr Caro's sense of moral outrage is, indeed, mostly exercised by what he sees as the persistent Johnson tendency to rewrite the record and distort the facts. Thus one trip by LBJ to the Pacific front, as an observer, was artfully translated into a wartime record of distinction.

The treatment of Lady Bird Johnson comes in for unsparing condemnation. It was not merely that LBJ had affairs on the side – the lengthy entanglement with Alice Glass is again given a full airing – but more that Lady Bird was flagrantly used as a front for her husband's political and financial wheeling and dealing.

The official record is that the growth of the Johnson communications empire in Texas was the result of her hard work. Mr Caro finds LBJ's hand in every advance; including the critical award of new radio station licences and wave-band frequencies, all designed to serve both his political and financial needs.

In his introduction, which is the most conspicuously even-handed part of the book, Mr Caro questions the relationships between means, in LBJ's case almost invariably disreputable, and ends, often good and even noble, especially in the field of civil rights.

But he has not answered them yet. Before he does, he might go to a baseball game, where both are on display in the convenient time span of three hours, and where also the good guys do not always win.

Jurek Martin

OBSERVER

Banker from the Palace

■ Credit National, France's long-term credit bank, has lost the last of its state monopolies and has to compete freely in the banking market.

But its semi-governmental past is recalled every time it changes chief executive. The nomination is still made ceremonially at the weekly cabinet meeting at the Elysee Palace.

Yves Lyon-Caen, the newly-appointed chief executive, used to be the deputy directeur de cabinet of prime minister Michel Rocard. Paul Mentre, the man he is to replace, occupied the very same post in the cabinet of ex-president Valery Giscard d'Estaing.

Other than this minor political difference, the two men's careers have much in common – legal studies, the elite ENA civil service college, the finance ministry, banking, even the same Paris lycee, Janson de Sailly.

Lyon-Caen, an easy-going 40-year-old with many friends in Paris financial circles, has been in charge of economic policy at the prime minister's office, under directeur de cabinet Jean-Paul Huchon, with whom he previously worked at Credit Agricole.

However, the changeover at Credit National has been managed with less elegance than the French establishment usually employs. Rumours of the change have been widespread for weeks as the government has tried unsuccessfully to persuade Mentre to accept being kicked upstairs to a gilded semi-retirement as minister in Monaco.

Instead he will take up the chairmanship of a small Credit National subsidiary, Credit Sucrier, until something more suitable is found for him.

Watered down

■ The French government's public-health campaign, to restrict and eventually ban advertising of tobacco and alcohol, has run into serious opposition from the wine lobby.

Arguing that tobacco and alcohol are responsible for over 100,000 premature deaths in France every year, the government intended to ban advertising from January 1993, and to restrict it in the meantime.

But the strength of the wine lobby has became apparent during the summer. The alcohol part of the government's bill was watered down, so as to exempt superior quality Appellation d'Origine Controle wines from the advertising ban.

Now the Senate has gone a step further by exempting all wine from the government restrictions – largely through the extra help of socialist senators from wine-growing departments in the south-west.

That is not the end of the story, since the National Assembly will have the last word.

But it shows that some things remain almost sacred to the French.

On trusts

■ Nigel Lawson MP does not appear to be having any trouble filling his diary since his resignation as chancellor of the exchequer last year.

This week he has appeared in Hong Kong where his extra-parliamentary duties have involved him in selling unit trusts.

He has been helping launch a new range of trusts for Barclays Fund Managers, and perhaps getting some early Christmas shopping in as well.

Lawson became a non-executive director of Barclays Bank following his resignation.

In spite of being a long way from home he kept firmly to the party line. He said he was glad to see Britain in the EMS as it was a "reinforcement of the government's anti-inflationary stance".

The UK economy would also witness an upswing in the latter part of next year, he prophesied.

"Do you know what ERM and *frit mean?*"

Hard news

■ Your paper boy noticed, even if you didn't, that the FT ran to 122 pages yesterday including the 52-page Career Choice.

That is nowhere near a record for a daily newspaper. The Los Angeles Times often runs to 300 pages on a Sunday, and is thought to have broken all records by printing 900 pages one weekend.

Sadly the very weight of that paper's prose led to a fatality. Because it was too heavy for the paper boys to handle a delivery truck was driven through the suburbs. A man hurled the bumper issues into subscribers' porches as he passed. Then things went wrong. One paper hit, squashed, and killed a family dog.

Dedicated to maintaining the freedom of the press, The Los Angeles Times squared up to the crisis. It replaced the dog and consoled the bereaved family with a year's free subscription.

Tough policy

■ The top people of the insurance industry are known for their enthusiasm for renewing business contacts over a cocktail or two at conferences in exotic places.

Nevertheless, the Arab Maghreb Symposium on Oil Insurance next month threatens to pose an endurance test.

The subject matter for the meeting could not be more topical. It is a study of the risks involved in the oil industry. And papers will be presented on a host of useful topics, including risk management in the oil business, loss prevention, and insuring oil and gas installations.

But the venue for the event, is proving less than congenial to brokers and underwriters.

The host, the Libya Insurance Company, is planning to hold the symposium in the "petro-chemical complex city" of Ras Lanuf which is some 450 kilometres along the coast road east of Tripoli.

That is a part of the world where the desert sands are rarely if ever disturbed by Europeans these days, apart from a few archaeologists on their way to visit the incomparable Roman and Byzantine ruins of the city of Leptis Magna.

The Risk and Insurance Managers Society of America is showing a keener eye for public relations, meanwhile. Its annual convention next year will be held in Disneyland, California.

Added value

■ "If I were Rockefeller, I'd be richer than Rockefeller," says Cohen.

"How so?," asks Levi.

"I'd do a bit of teaching on the side."

ECONOMIC VIEWPOINT

New roads to jobs

By Samuel Brittan

The new figures due today should come as a salutary reminder to those who glibly thought that unemployment had been replaced by home mortgage rates as the key domestic political issue. On a moderate projection, unemployment will rise from its recent low of 1.6m to about 2m. A recovery is not likely until after the election.

The option of pumping more spending power into the economy to reverse the trend unemployment figures is simply not open to the government. For inflation cannot come down without a substantial period of slower demand growth both for products and for labour. And there will still have to remain indefinitely a higher margin of slack than the one to which we have become used, just to stop inflation from rising again.

It is therefore particularly important to seek methods of reducing unemployment based on improving the functioning of the labour market rather than stimulating demand. One example — the subject of a National Economic Development Office study — is work incentives for the low paid.*

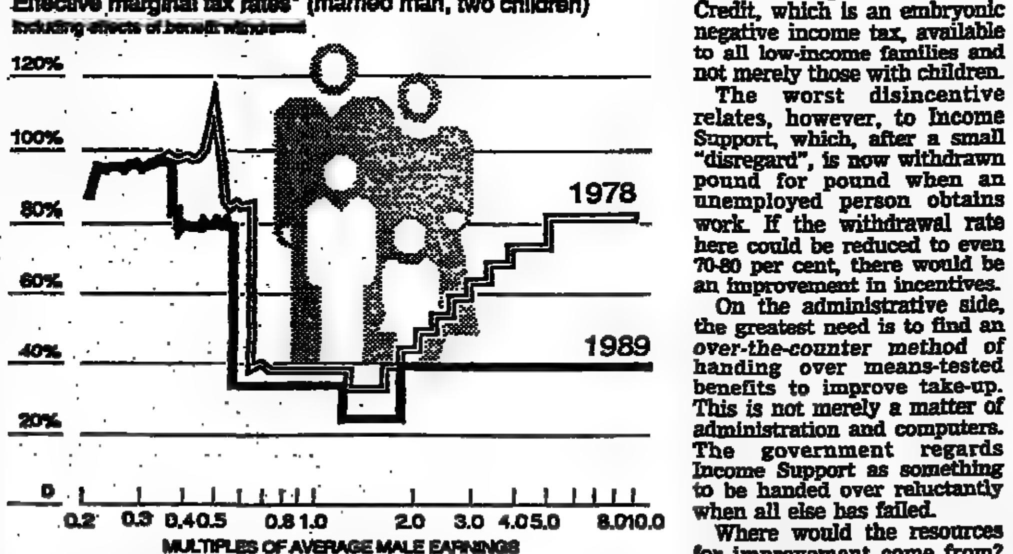
One set of adverse influences is shown in the chart, furnished by Walter Eltis, the Nedo director general. In 1978, before the Thatcher government came to office, there were extremely high taxes on each extra pound earned both at the bottom and in the upper ranges of the income scale. Higher-rate taxpayers faced marginal rates of up to 83 per cent (98 per cent if their income was "unearned"). But poor people on half average earnings could face effective marginal rates of over 100 per cent if the withdrawal of social security benefits was also taken into account. A decade later, in 1989, penal marginal rates had gone at the upper end of the income scale, but high rates of well over 80 per cent remained at the bottom.

As Eltis goes on to say: "Where the low paid react by not taking on work that is on offer, society loses potential production that could add to the national income, and it also loses because of labour shortages which would be relieved if more worked. The functioning of the labour market is damaged because there are jobs on offer in parts of the UK which cannot be filled; and there are workers available to do these jobs who prefer to stay at home because they stand to gain nothing financially from collecting fares on buses, sorting or delivering letters, or cleaning a school."

There are two principal traps. The unemployment one sets a barrier which dissuades

THE TAX TRAPS

Effective marginal tax rates* (married man, two children)
Including effects of benefit withdrawal



*Wife not working and two children aged 4 and 6 years. Source: NEDO

the unemployed and the wives of the unemployed from taking low-paid work. The poverty trap makes it difficult for those with many dependents and modest technical qualifications to increase their incomes by working harder or longer.

Recent government policy has tried to target social security more closely by freezing Child Benefit and concentrating on means-related benefits such as Family Credit. This gives rise to the well-known problem of non-take-up.

Categories particularly badly affected are members of large families, and wives of unemployed men. Wives of the unemployed have their declared earnings deducted pound for pound from the Income Support their husbands receive, so they stand to gain nothing from ordinarily paid part-time work. (Income Support is the main UK benefit received by the unemployed.)

One unacceptable way of improving incentives is to withdraw benefit from those refusing low-paid jobs, thus forcing them to work at rates of pay below benefit levels.

A genuine market-based approach might involve a Basic Income for all, payable as a tax credit, which would be withdrawn through the tax system once people began to earn money from work.

Although a full Basic Income scheme is not now affordable, partial moves are possible in that direction even under the present system. A few of these are outlined in a paper by Steven Webb and myself, due to be published soon.**

An example of the unemployment trap is that families on Income Support receive between £11.75 and £20.80 per child depending on age. But if the breadwinner regains a job, the families only receive the normal Child Benefit of £7.25 per child. If Child Benefit – which forms an embryonic Basic Income – were raised to the same level as the "child" element in Income Support, the disincentives would disappear because each family would receive the same amount per child from the state whether the parents worked or not.

One obvious problem is cost. To pay the same amount in normal Child Benefit as the unemployed family now receives, would, according to Eltis, cost the Exchequer £4.5bn per annum. It is often regarded as wasteful, so long as cash for such purposes is scarce, to pay to everyone benefits which largely spill over to families who do not need them. There is therefore much to be said for an idea suggested by the Institute of Fiscal Studies, under which Child Benefit is raised, but the tax system is used to withdraw the increase from the better-off.

Another worthwhile improvement would be to make the present Family Credit, which is an embryonic negative income tax, available to all low-income families and not merely those with children.

The worst disincentive relates, however, to Income Support, which, after a small "disregard", is now withdrawn pound for pound when an unemployed person obtains work. If the withdrawal rate here could be reduced to even 70-80 per cent, there would be an improvement in incentives.

On the administrative side, the greatest need is to find an *over-the-counter* method of handing over means-tested benefits to improve take-up. This is not merely a matter of administration and computers. The government regards Income Support as something to be handed over reluctantly when all else has failed.

Where would the resources for improvement come from? Eltis suggests "fiscal drag". If the economy grows at an average of 2½ per cent per annum over a five-year parliament, and public spending in real terms grows at half this rate, there should be £10bn over for tax reliefs or benefit reforms.

The underlying problems are ones of public attitude. The left and centre have to bite the bullet and realise that full employment means market clearing pay, which need have no relation to merit or need. The right has to appreciate that market-clearing wages are neither desirable nor possible unless there is an additional source of income on non-humiliating terms for those whose skills command a low value in the market. And throughout the political spectrum there needs to be a less puritanical attitude, in which the principle of a modest non-work income – long taken for granted by the old upper and middle classes – can be extended to all.

* *Improving Incentives for the Low Paid, ed. A Bowen and K Mayhew, Macmillan.*

** *Beyond the Welfare State, by Samuel Brittan and Steven Webb, Aberdeen University Press for David Hume Institute.*

James Buxton reports on the polishing of Glasgow's image

Renaissance on the Clyde

Every night for the past few weeks an ocean liner has glided down a slipway at a shipyard on the Clyde in Glasgow. Sadly, it is not the real thing, but a vast, elaborate steel frame used as both the set and auditorium of The Ship, a theatrical celebration of the great days of shipbuilding in Glasgow.

The sought-after performances of this nostalgic but candid presentation symbolise the new Glasgow. Hardly any ships are launched on the Clyde nowadays; instead the once derelict Harland & Wolff engine shed has been enrolled as a theatre in the city's attempt to make its living from service industries.

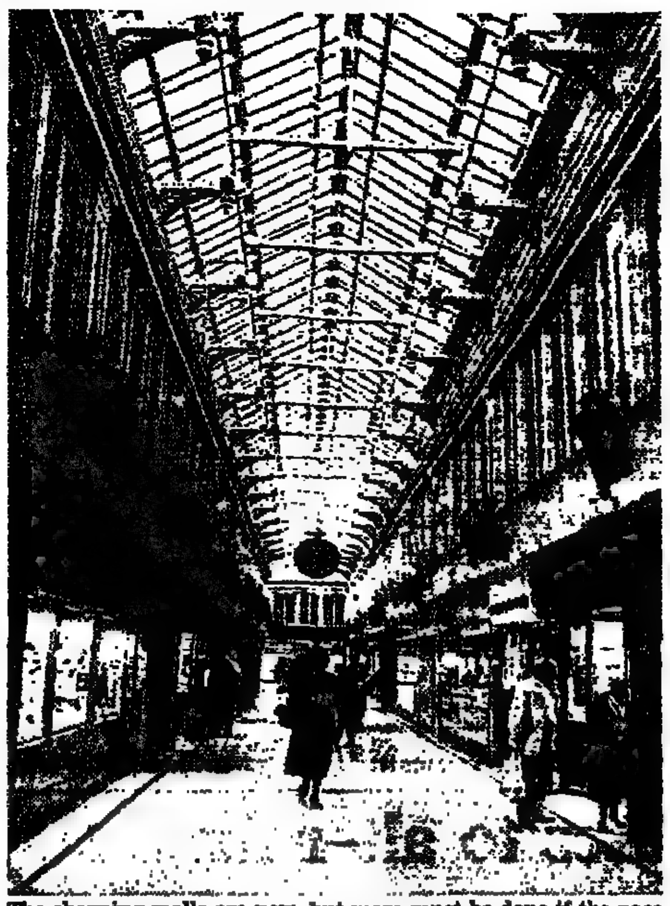
Glasgow, the 1990 Cultural Capital of Europe, has this year enjoyed some fruits of a revival which looked implausible only a few years ago. After a long campaign to clean up the city and its image, businesses from the south of England are relocating some of their operations to Glasgow. Tourist numbers are soaring. Parts of the centre now look remarkably prosperous.

"Companies are now moving here that didn't have any connection with the city," says Mr Pat Lally, a second-generation Irish immigrant who leads the dominant Labour group on the city council. "We're getting the new image of the city through to the south of England."

The campaign began in the early 1980s when the collapse in shipbuilding and heavy engineering took the proportion of the city's labour force working in manufacturing down from 32 per cent in 1976 to only 18 per cent in 1989. If Glasgow was to rebuild its prosperity on service industries it first had to present itself as pleasant and vibrant, not grimy and frightening.

First there was the "Glasgow's Miles Better" slogan, pasted on the sides of London buses. Then in 1988 the city held its garden festival which cost £20m but brought in 4m visitors, a fair proportion of them from outside Scotland. It also gave Glasgow media exposure almost out of proportion to the event itself. This year's Cultural Capital activities, following Glasgow's nomination by the EC in 1986, is the latest stage in the process of improving the city's image and self-confidence in order to attract business.

One reason for the city's success is the ambition, even pushiness, of the Glaswegians and the sense of solidarity which makes the private sector and the public sector co-operate effectively. A rapid campaign by both local authorities and businesses persuaded the government to locate all the processing work for the 1991 census of England and Wales (not Scotland) in Glasgow, creating nearly 2,000 jobs.



The shopping malls are new, but more must be done if the pace of redevelopment is to be kept up and the changes made to last

As people have begun to think more highly of the city, promotional slogans have become reality as the centre has been cleaned up, plenty of high-quality offices have been erected in a sustained property upsurge, and restaurants and hotels have risen on former docklands.

Businesses which have moved operations to Glasgow include BP Exploration Europe, which transferred 600 executives to the city after the takeover of Britoil in 1988; and TSB Mortgages, which is moving to Glasgow from Barnet, creating 800 jobs. These and others promise a total of 7,000 new jobs, with spin-off that extends from professional services to the housing market. American Express is thought to be poised to announce a relocation to Glasgow.

Yet one of the attractions of the city to incoming businesses is also a sign of how far the revival still has to go. Labour is plentiful and staff turnover very low because unemployment is a high 14 per cent.

Mr David Macdonald who runs Glasgow Action, a public/private sector organisation which concentrates on developing the centre as the motor of wider recovery by attracting businesses and visitors, admits that the upgrading has barely touched the miles and miles of grey council flats and tower blocks which stretch from the suburbs to the countryside. In areas such as Easterhouse, which know little of the vaunted quality of life of central Glasgow, economic problems are more intractable and plans to deal with them will take longer to work.

"We've made Glasgow a good place for talented people," says Mr Ewan Marwick, chief executive of Glasgow chamber of commerce. "We've not yet made it a good place for the unskilled and unemployed."

The pragmatic Mr Lally says that he is happy with the city's new vocation as a hub of service industries but would also like it to have an expanding manufacturing base. There are now only two shipyards and one of the leading engineering companies, Howden, is closing its heavy manufacturing plant.

How then does he justify annual spending on the arts of £25m and an extra £15m on living up to the European cultural capital title? The original objective of developing the arts, says Mr Lally, "was to improve life for our people. Then we found it attracted tourists and businesses and created jobs." Two years ago it was estimated that the arts *had generated 14,000 jobs* and £200m-worth of annual spending in the city.

The number of tourists visiting Glasgow each year has gone up from 700,000 in 1983 to more than 2m in 1989. This year, hotels have had 85 per cent occupancy. Tourist numbers could reach 3m or 4m.

The Cultural Capital activities are running for the whole year, with theatrical events, music, art exhibitions and much else. Mr Neil Wallace, the deputy director, claims that it is "succeeding beyond anyone's expectations, with very good attendances for most events", though he acknowledges that some have had an indifferent reception.

The year will leave a permanent legacy. Earlier this month Princess Anne opened the 2,500-seat Royal Concert Hall. "People had talked about building a new concert hall for nearly 30 years," says Mr Wallace. "A replacement would never have been built but for the City of Culture, let alone built in two years."

A city that spends £28.5m on a concert hall when its former economic base is still decaying might be thought to have its priorities wrong. In fact the hall will bring in yet more visitors and enhance the city's reputation and self-confidence. But until the glow of prosperity illuminates more than just the heart of the city and unemployment has fallen Glasgow will still have to meet accusations that its revival is only cosmetic.

LETTERS

Economies of scale in the motor industry

From Professor D.G. Rhys.

Sir, Your editorial comment ("Europe's test in cars," October 10) was almost entirely correct in its assessment of what Europe's vehicle makers must do to survive. However, it is misleading to assume, as you did, that "manufacturing scale economies are rapidly growing less important".

What the new lean production techniques allow is the production of a variety of cars but within a large annual volume. Hence, an assembly plant is still optimum at around 250,000 units a year, although the model specific optimum can be lower. However, an engine plant's optimum has grown to 850,000 units a year for a family of engines, and even though lean techniques can reduce research and development costs, high volume spreads them even thinner.

What the new techniques do is to make it easier for large companies to make a variety of products, but they do not make it easier for small companies to survive. The takeovers, mergers, and joint ventures of the last decade, together with the financial weakness of smaller Japanese car concerns (even though they were linked to larger motor groups) such as Fuji, Daihatsu and Isuzu are eloquent testimony to this.

As you imply, lean production can do much to lower the long-run average cost curve of car manufacture. However, little is done to alter its basic shape. In fact, once all firms enjoy lean production some will try to increase model specific cost savings to gain a competitive edge. This will involve persuading their customers to accept cars made during longer than average product life-cycles.

If all firms are lean, the whole process will have come full circle, but with production being lean and mass.

D.G. Rhys,
SMMT professor of motor industry economics,
Cardiff Business School,
University of Wales

Spain, the UK and the ERM

From Mr Jonathan Hoffman.

Sir, Samuel Brittan ("What we can learn etc," October 15) is right that the Spanish experience is not decisive either way for the exchange rate mechanism (ERM) argument.

Yet another difference between Spain and the UK lies in the rate at which the two countries entered. Spain's central rate of 65 pesetas per D-Mark was highly competitive (updated OECD data put the then purchasing power parity exchange rate at around 51). This, if anything, understates Spanish competitiveness since Spain is still less industrialised than the UK, so the difference between average productivity and productivity at the margin, in a plant with the most modern technology, must be greater in the case of Spain.

From this standpoint Spain is virtually guaranteed relatively rapid inflation, since labour costs will rise towards the German level.

Jonathan Hoffman,
senior European economist,
Credit Suisse First Boston,
2a Great Titchfield Street, W1

BT's request for 'symmetry'

From Viscount Lewisham.

Sir, I read with great interest the article on British Telecom's application to carry television signals along its telephone lines ("A struggle to be at your service," September 27).

Our company, which I founded and which has been awarded the cable franchise for Kirklees (the area including Huddersfield and Dewsbury) has been responsible directly and indirectly for almost £100m of investment now committed to build cable systems in Pennine West Yorkshire.

These systems will provide, as well as television, a modern communications network. Should BT's demands be acceded to, this and other such investments elsewhere would in all probability be killed stone dead. The request for what BT terms "symmetry" should be seen in that light.

Lewisham,
West Riding Cable,
Dartmouth Estate Office,
The Manor House,
Slaithwaite, West Yorkshire

Muddling through is not enough

From Mr F. Keith Johnson.

Sir, Your editorial comment ("The voice of small business," October 9) displays a quite remarkable lack of knowledge of small business and chambers of commerce.

Not only do you refer to 110 local chambers when the number must be at least five times that number, but their membership must be nearer to a quarter of a million firms than the 70,000 which you quote. The figures which you have taken are, I suspect, for membership of those chambers which are affiliates of the Association of British Chambers of Commerce (ABCC). As you will see from the figures I quote, the association is very far from representing the bulk of businesses in this country – and almost certainly even less representative of small business.

While we in this chamber fully support the concept of raising the quality of the services which are provided by chambers – that, after all, is what we exist for – we are not convinced that the approach of the ABCC is entirely the right way of going about it.

We would also take issue with your suggestion that the "muddling through" system involved in the "more relaxed British business climate" has merit. Chambers which represent no more than one quarter of the million or so businesses in the country – with the other three quarters frankly free-loading on the efforts and financial contributions of the members – will never be able to provide the same level of support and leadership as their efficient, well-funded, continental opposite numbers. To imagine otherwise is merely to perpetuate a delusion.

F. Keith Johnson,
secretary,
East Kent Chamber of Commerce and Industry,
Ashford House,
County Square,
Ashford, Kent

Time to open the FAO fortress

From Mr Francis Sullivan.

Sir, The World Wildlife Fund for Nature (WWF) was surprised by John Madeley's article ("Planning for greener forestry," October 4) on the future of the Tropical Forestry Action Plan. Mr Madeley failed to realise the implications of the United Nations Food and Agriculture Organisation's (FAO) weak response to the recommendations made by the independent review team.

At a recent meeting in Rome of the committee on forestry the FAO's director general, Mr Edouard Saouma, rejected the review's criticisms and principal recommendations. In particular, he ruled out the establishment of an independent steering group to oversee the Tropical Forests Action Plan and to increase the status of the plan within the FAO by appointing an executive director at the level of assistant director general.

The WWF supports the recommendations in the report and sees their full adoption as essential for the future of the TFAP and tropical forests.

The FAO has now been given ample time to reform the TFAP, but in our opinion has failed to do so. Although we accept that there is a need for co-ordination of aid to tropical forests, the WWF is reluctantly withdrawing its support from the TFAP until major reforms of the process are instituted.

It is time for the British government and European Community to exert their influence to open the fortress of the FAO and make the reforms necessary to the TFAP. There is virtually no non-government organisation support for the TFAP worldwide.

Francis Sullivan,
tropical forest conservation officer,
WWF,
Panda House,
Wayside Park,
Godalming, Surrey

Atlanta's expenditure

From Mr James C. Kennedy.

Sir, I was interested to read your report on Atlanta's successful bid for the 1996 Olympics (Atlanta's cash wins race," September 19).

As part of the Atlanta Organising Committee, I want to set the record straight. We spent $7m in our campaign, not $30m.

James C. Kennedy,
chairman and chief executive,
Cox Enterprises,
1400 Lake Hearn Drive NE,
Atlanta, Georgia

FINANCIAL TIMES
Thursday October 18 1990

SOVIET REPUBLIC IN TURMOIL

Ukrainian premier forced to resign

By Anthony Robinson, East Europe Editor, in London

THE prime minister of the Ukraine, the second most populous of the 15 Soviet republics, has been forced to resign after weeks of student and worker protests against his government's economic policies.

Mr Vitaly Masol, who managed to survive as prime minister despite the sacking of the hard line communist party chief Vladimir Scherbitsky last year, is the latest victim of a rising tide of nationalist fervour in the economically powerful Ukraine.

The protests continued yesterday as news of the impending resignation was given to parliament by Ukrainian president Leonid Kravchuk.

Popular anger has grown at what is widely perceived as bureaucratic heel-dragging on independence and economic domination by Moscow-based ministries, since the communist-dominated parliament voted by 355-4 last July for full economic, political and military sovereignty.

The formerly Polish western Ukraine, with its large Catholic and Ukrainian Uniate church minorities, has been at the forefront of pressure for secession from the Soviet Union. But anger at poor working conditions, heavy environmental pollution and Communist party corruption and inefficiency has also spread to the largely Russian populated industrial and mining towns of the eastern Ukraine.

Strike committees, with close links to miners in the Kuzbas, Vorkuta and other mining areas, have replaced loyalty to the Communist party in many working class areas of the eastern Ukraine, while Lvov and other big cities in the western Ukraine are now controlled by the anti-communist Rukh movement.

The transformation of the Ukraine from a cowed and outwardly conservative backwater, closely controlled by the KGB and Moscow-based ministries, dates back to the depth of popular anger at the party's initial cover-up of the Chernobyl nuclear disaster in 1986 and the release of Ukrainian nationalist political prisoners around the same time.

Demands for political independence and opposition to Moscow's proposals for a new union treaty have been reinforced by a strong sense of economic grievance.

The government led by Mr Masol has sought to reduce the power of the Moscow ministries which used to control 95 per cent of the Ukraine's industrial and mining output and which dominated the republic's once rich agriculture. Communist party spokesmen also claim willingness to form a coalition government with the fast growing "green" and other non-communist parties.

But students and other government opponents say that Moscow will still control nearly 80 per cent of the economy and want new multi-party elections to get rid of the Communist party majority, which they believe was obtained by methods which once ensured 99 per cent majorities on all occasions.

Gorbachev-Yeltsin showdown, Page 2

Brussels refuses to alter farm subsidies plan

By Tim Dickson in Brussels

THE European Commission yesterday refused to modify its controversial proposal to cut farm subsidies by 30 per cent, but hinted that there was room for flexibility in order to persuade EC member states to endorse the plan.

Discussion of international farm reform ranked high on yesterday's agenda of the weekly meeting of the Brussels executive after the EC Agriculture Council postponed efforts to reach consensus on the issue late on Tuesday night.

Deadlock in the council reflects the alarm of the farming lobby at the hardships entailed in global cuts in farm support. Pressure for reductions comes mainly from the US, which is linking the issue of agricultural subsidies to a successful outcome of the much wider international trade talks Uruguay Round.

The main EC debate centres on compensation measures, including direct income payments, for the worst-affected producers. Most EC countries, notably Germany and France, appear to be pushing hard for clearer commitments from Brussels that such help will be forthcoming.

The commission, by contrast, has so far offered little more than vague promises to pursue a "fresh approach" to the Common Agricultural Policy, which will be spelt out in more detail before the end of the year.

Tuesday's meeting of the council provided clear signs that many countries would like to water down key aspects of the commission's package. These were contained in a draft "political statement", which ruled out any "separate undertaking" on export subsidies and implied a more restrictive import regime for EC imports of cereal substitutes.

These points go to the heart of a bitter battle played out two weeks ago in Brussels between Mr Ray MacSharry, the EC's farm commissioner, and Mr Frans Andriessen, the more liberally inclined external relations commissioner who is in overall charge of the Uruguay Round negotiations.

They also throw down a challenge to EC trade ministers, who will ultimately endorse the EC negotiating position on this and other matters. Relations between the Andriessen and MacSharry camps were described by one EC insider as "tense". But despite hours of "animated discussion" at yesterday's commission meeting, it was understood that no serious attempt had been made to revise the original Brussels package.

Mr MacSharry's official spokesman denied reports that he had put his own name to the council's draft statement on Tuesday. The commissioners are thought to have recognised that Mr MacSharry may need some "flexibility" when EC farm ministers resume their deliberations in Luxembourg tomorrow. Whether any changes would have to be ratified by the full commission, or just approved by Mr Andriessen and Mr Jacques Delors, commission president, was not clear last night.

US proposals to cut agricultural protection by 75 per cent could "slice through absurd protection levels and lead to a breakthrough in Gatt trade talks," Mr Mike Moore, New Zealand's prime minister, said, Dai Hayward reports from Wellington.

"The US offer shows they are as serious as New Zealand about free trade. This could set a winning pace for the December negotiations."

New Zealand would benefit from relaxations in farm protection. Mr Moore has said that New Zealand, along with other Cairns Group countries, was prepared "to walk away" from the talks if farm protection was not firmly wound back.

Indian coalition split threatens government

By David Housego in New Delhi

THE GOVERNMENT of Mr V.P. Singh, the Indian prime minister, was in danger of collapse last night after the radical Hindu Bharatiya Janata party (BJP) threatened to withdraw its support.

In a strongly worded statement, the BJP said it would abandon Mr Singh if the government tried to prevent Hindu fundamentalists from constructing a temple at Ayodhya, in the northern state of Uttar Pradesh, on a site now occupied by a mosque.

The issue has been an important point of disagreement within the ruling coalition since last year's election, when it also contributed to the defeat of Mr Rajiv Gandhi's Congress party.

Hindu militants plan to begin construction at a ceremony on October 30, coinciding with a huge Hindu pilgrimage at Ayodhya, the reputed birthplace of the god Ram.

The BJP also said that it would withdraw support if the government tried to halt a pilgrim procession – a Hindu fundamentalist campaign led by Mr L.K. Advani, the BJP leader, to mobilise support for building the temple. Mr Advani has been making a journey across India to press his case.

Premier V.P. Singh: under threat from Hindu fundamentalists

Mr Singh has said that he will not allow construction of the temple on the Ayodhya site and has blamed the procession for causing recent Hindu-Moslem riots in which more than 250 people have been killed.

About 90,000 paramilitary forces are being stationed at Ayodhya to prevent construction of the temple.

In a parliament of 543 seats, Mr Singh's National Front depends for its survival on the BJP, which holds 88 seats. Mr Singh's own northern-based Janata Dal party has only 141 MPs – of whom 29 recently demanded his resignation.

Observers last night believed that the BJP warning spelled the end of Mr Singh's government, which has plunged from crisis to crisis in the year that it has been in power.

If the BJP carries through its threat, as now seems possible, the president could call on Mr Gandhi to attempt to form a government. Alternatively he could dissolve parliament, paving the way for new elections.

In choosing to break with the government over the issue of Hindu nationalism, as symbolised by Ayodhya, the BJP has clearly been encouraged by the crowds that have followed Mr Advani's procession. Its progress has taken on the character of an election campaign.

● The Congress party yesterday resumed control over the southern state of Karnataka after an interlude of eight days during which it was administered directly from New Delhi, David Housego writes.

The interlude was caused by a row within Congress over the resignation of its chief minister in Karnataka and has damaged both Mr Singh and Mr Gandhi.

Li found guilty of corruption

Continued from Page 1

a half hours to reach its verdict. They failed to produce a unanimous decision and found Mr Li guilty on both charges by a five-to-two vote, the smallest acceptable majority.

In a bizarre moment, a court official asked the *chairman of the jury* about the voting and then sat down. He had forgotten to ask what the verdicts were.

Embarrassed, he stood up again and asked the foreman for the answers.

Defence counsel were last night discussing the possibility of lodging an appeal this morning when the court resumes for sentence to be passed.

Prosecution counsel are expected to ask that Mr Li should be ordered to repay the total of almost HK$870,000 profits he made on the share allocations involved.

Hurd's peace mission to Israel founders

Continued from Page 1

Mr Hurd stressed that Israel should accept the UN mission and soften its policy towards the Palestinians, but he was also at pains to deny linkage between Iraq's occupation of Kuwait and the Israeli occupation.

In New York, Britain pressed for the urgent dispatch of a UN mission to Jerusalem to investigate the Temple Mount shootings, regardless of the Israeli government's refusal to co-operate.

Virtually all the members, including the US, were said to feel that Mr Pérez de Cuéllar, the UN secretary general, should send the mission, whose report would provide the basis for the "findings and conclusions" which the Council has asked him to deliver by the end of October.

The secretary general said he had yet to hear from Israel about the facilities that would be extended to his mission.

Western diplomats said that even without government co-operation, the mission could see Palestinian leaders, human rights groups and other non-governmental representatives and receive a substantial account of the October 8 incident. Mr Pérez de Cuéllar said he thought Israel might also be prepared to share the conclusions of its own enquiry. "I think that would be in their interest," he said.

Meanwhile, American fears of a possible linkage between Israeli actions in Jerusalem and Iraq's in Kuwait delayed plans for a UN resolution requiring Iraq to make reparation for damage and looting by the occupying forces.

A western member said yesterday that an eventual resolution would seek compensation from now-frozen Iraqi assets abroad, but should not be seen as punitive reparations. Although the latter seemed to be the intention of Mrs Margaret Thatcher, the British prime minister, when she initiated the idea in New York last month.

Mr Hurd further upset local Palestinians – who want the two issues to be linked – when he told a student at a rehabilitation centre in the West Bank town of Beit Jalla: "The PLO have made a big mistake. They are *finding excuses for the* occupation of Kuwait. That is not a good idea. It does alter one's opinion."

At a press conference, Mr Hurd said he believed sanctions against Iraq were "piling up the pressure" on President Saddam Hussein.

"I cannot tell you how long those pressures will take before they build into something which is decisive... I believe that it is possible that the combination of sanctions with that knowledge in [Mr Saddam's] mind that the military option would be used if necessary might be sufficient to bring about a withdrawal."

Hans-Joachim Tiedge: western spy-catcher who defected

German spymasters inhabit a world turned upside down

By David Marsh in Bonn

JUST when everyone thought that there was nothing left to spy on, spy fever has broken out again in Bonn. The almost daily discoveries of agents who formerly worked for East Berlin intelligence in the West German administration have confirmed a particular form of human bonding between the two former German states.

Despite their embedment in competing ideological and military blocs, the espionage web between them ensured that nothing very much would remain secret for very long.

Now that unity has been sealed, the unravelling of networks run in western Germany by the East Berlin state security service (Stasi) is one of the Bonn government's more surrealistic cleaning-up jobs.

The suspects are accused of spying for a state which no longer exists, passing on now-irrelevant information stolen from another state which has now taken over the first one.

In the next year or so, there will be scenes in German courts reminiscent of the trial of the knave who stole the tarts in *Alice in Wonderland*.

Some of the dismantling has been the result of names disclosed by spymasters who have now lost their jobs in eastern Germany. Some Stasi operations appear to be continuing, financed by remote control through hidden bank accounts, even though both the men and the political raison d'être behind them has disappeared.

Other spies in high places have preferred to make a clean breast of their activities in the hope of lenient sentences.

Mr Klaus Kuron, the counter-espionage chief of the Bundesamt für Verfassungsschutz (BfV), Germany's Cologne-based domestic intelligence agency, comes into the latter category.

His confession to having worked for East Berlin for eight years, passing on details of the BfV's counter-espionage operations against Stasi operators, certainly has caused embarrassment.

But his crime is hardly comparable with that of Mr Günter Guillaume, the "spy in the Chancellery", whose uncovering in 1974 caused the resignation of Chancellor Willy Brandt. Nor can it be put in the same class as the defection in 1985 of Mr Hans-Joachim Tiedge, the BfV's chief spy-catcher.

Mr Tiedge, now in the Soviet Union to flee reunification, was heavily in debt and had serious drinking problems.

The BfV boss at the time, Mr Heribert Hellenbroich, was accused of negligence for not having informed the Interior Ministry of doubts over Mr Tiedge's reliability.

The Kuron affair is causing no great loss of sleep for Mr Gerhard Boeden, the avuncular ex-policeman who now heads the BfV.

Mr Boeden said this week that Mr Kuron had no financial problems, did not like alcohol, and was regarded as "absolutely trustworthy".

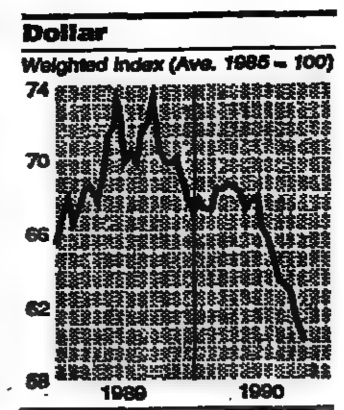
Confident in the knowledge that his espionage team has, after all, won the game, Mr Boeden has a relaxed way of rejecting the criticism that Mr Kuron should have been investigated more stringently.

"If we had demanded still more security measures, that would be like the methods of the Stasi," he declared.

THE LEX COLUMN

Talking down the dollar

The foreign exchange markets had no problem interpreting *Tuesday's assorted speeches* by Messrs Brady, Feldstein and Greenspan; they duly sold the dollar down to an all-time low on its trade-weighted index. The Frankfurt D-Mark fixing set a record, while the yen/$ rate is nearing uncharted territory. As for where the currency goes next, though it may hover above yesterday's levels for a while, the congestion of bear traders is likely to push it even further. Since the end of September it has fallen by 9 per cent against the yen, so a recurrence of its 15 per cent fall in 1987-88 looks possible.



Any sight of a floor under the dollar has disappeared along with the fading credibility of US economic management. The budget is looking shaky again. The Federal Reserve still wants to ease interest rates, but knows that inflation will result. A cheaper currency will give US exports a badly needed boost, but the timing is poor given the coincidental global economic downturn and credit squeeze. The prospects for domestic producers look even grimmer. September's better industrial production figures simply clouded the picture of an economy slipping into a trough.

At the outset of the Gulf crisis, the dollar signally failed to re-establish itself as a safe haven. Two months later, the *dollar doubters are still winning*.

Kleinwort Benson

It is hard to underestimate the embarrassment of Kleinwort Benson. Not only has it notched up the worst single trading loss in the UK securities industry, but it has also had to turn to Cazenove to help place its jinxed stake in Premier Consolidated Oilfields. Given that Kleinwort has the City's top team of oil analysts and presumably knows just as many fund managers as Cazenove, this raises questions about the placing power of the integrated houses. Indeed, given that independent merchant banks like Schroders and Lazards regularly appear at the top of the corporate finance league tables, one can only wonder why Kleinwort persists in wasting shareholders' money pursuing a dream.

Of course, yesterday's £34m loss had nothing to do with normal market-making. Kleinwort took a huge bet and lost. What shareholders need to *know* is why the management was prepared to commit more than a quarter of the group's capital in a deal which has erased half this year's profits and could well leave the dividend uncovered. The decision to buy the Premier stake at a premium, in the hope of selling it on at an even bigger premium, is the sort of gamble which a well managed merchant bank should not be taking. Throw in the added conflict of Kleinwort's status as Premier's adviser and one has the ingredients for a case-book financial disaster. If Kleinwort took this sort of risk to bolster its miserable financial performance, it is not only its shareholders who should be concerned.

Highland

The cross-holding arrangement between Highland Distilleries and Remy Cointreau is unmistakably a poor man's version of the Guinness/LVMH deal. To an extent, there is no reason why it should not have the same beneficial effect. As Scotland's top-selling whisky, Famous Grouse is a highly marketable commodity; and with only 27 per cent of its sales outside the UK, against an industry norm of 85 per cent, the overseas potential is obvious. Like LVMH, Remy needed Scotch to add to its range of cognacs and champagnes; and for Highland, Remy is the only international distributor of its size not supplied with a Scotch already.

The arrangement is not without flaws. Highland remains dependent for US distribution on Grand Metropolitan, which is not only a rival Scotch producer but is engaged in building up a 20 per cent stake in both Cointreau and Remy Martin. The build-up of Grouse's overseas sales will doubtless be slow; but as with Guinness/LVMH, Highland will enjoy its own distribution margins in several key markets, including Japan. Highland's shares have marked time against the market for the past 18 months, while those of Guinness have raced ahead on the LVMH deal. There ought to be a touch of that in the Highland price now too; and besides, there is a declared 19 per cent stake-builder in the market.

Caird Group

If Caird Group is trying to conduct one of those scorched-earth defences it is doing pretty well. The profits forecast six weeks ago have all but vanished. Admittedly, the waste management business still seems to be operating fairly profitably. But the sudden disclosure of £4.1m of extraordinary losses in non-core business like property development plus an auditors' qualification would make any seasoned investor nervous, let alone a newly privatised water company making its first big takeover bid.

The most sensible thing for Severn Trent now would be to drop its £1 per share bid and forget about a lower offer until more light is shed on Caird's affairs. Waste management is a dirty business, as Severn is learning to its cost. But given the shortage of opportunities to enter the sector, Severn may be deluded into believing that it knows how to play the game.

Short selling

One or two heavily indebted companies, such as Maxwell Communications, have lately been airing the theory that their poor share price performance is the result of systematic short selling. It is clear that in some cases short selling has taken place; it is less clear whether it is cause or effect. News Corporation's shares started falling in mid-July, since when they are down 60 per cent. Beazer's shares have halved since mid-June. Brent Walker has fallen 81 per cent since end-June, leaving its market value at £30m startlingly at odds with net debt of £1.1bn. Three-month bear raids, if not supported by underlying sentiment, are commercial suicide. Much more persuasive is the notion that around midsummer, equity markets began to catch the whiff of fear from the world banking community. They may be accused of over-reacting to that; they can scarcely be seen as its cause.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	73	Berlin	S	17	64	Caracas	C	29	84	Faro	C	21	70	Islamabad	C	17	64
Algiers	F	27	81	Biarritz	F	20	68	Casablanca	C	21	70	Florence	C	22	73	Istanbul	S	20	68
Amsterdam	R	12	55	Bombay	S	32	91	Chicago	S	17	64	Frankfurt	F	17	64	Jakarta	F	35	95
Athens	S	22	73	Bordeaux	C	19	66	Cologne	C	17	63	Geneva	F	17	63	Jersey	F	17	64
Bahrain	S	31	88	Boulogne	F	20	68	Copenhagen	F	12	54	Gibraltar	C	19	66	Johannesburg	S	21	70
Bangkok	C	32	90	Brussels	R	14	57	Corfu	S	22	73	Glasgow	R	11	52	Lima	C	18	65
Barcelona	S	22	72	Budapest	S	17	64	Dallas	S	21	70	Helsinki	Fg	11	52	Lisbon	F	17	63
Beirut	–	–	–	Buenos Aires	F	20	68	Dublin	R	12	55	Hong Kong	S	26	79	London	C	17	63
Belfast	R	12	55	Cairo	S	31	88	Dubrovnik	S	22	73	Innsbruck	C	[illegible]	[illegible]	Los Angeles	C	18	65
Belgrade	S	21	70	Cape Town	S	21	70	Edinburgh	R	11	52	Inverness	R	8	46	Luxembourg	C	15	59

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	22	73	Milan	F	17	63	Nicosia	F	30	86	Salzburg	R	18	65	Tenerife	S	23	73
Madrid	F	16	61	Montreal	–	–	–	Oporto	F	17	63	San Francisco	S	11	52	Tokyo	C	22	72
Majorca	S	22	73	Moscow	S	12	54	Oslo	F	15	59	Seoul	S	15	59	Toronto	–	–	–
Malaga	F	21	70	Munich	R	12	55	Paris	S	21	70	Singapore	–	–	–	Tunis	F	27	82
Malta	S	27	81	Nairobi	F	25	77	Peking	S	20	68	Stockholm	S	12	55	Valencia	S	21	70
Manchester	F	15	59	Naples	F	21	70	Prague	S	20	68	Strasbourg	F	17	64	Venice	T	18	64
Manila	C	31	88	Nassau	F	31	88	Reykjavik	S	1	34	Sydney	S	22	72	Vienna	S	17	63
Melbourne	C	16	61	New Delhi	–	–	–	Rhodes	S	25	77	Taipei	F	27	82	Warsaw	S	[illegible]	[illegible]
Mexico City	F	25	77	New York	S	14	57	Rio de Janeiro	C	22	72	Tangier	R	17	63	Washington	F	11	52
Miami	S	27	81	Nice	C	21	70	Rome	F	21	70	Tel Aviv	S	26	[illegible]	Zurich	F	18	[illegible]

Temperatures at midday yesterday C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain S—Sunny Sl—Sleet Sn—Snow T—Thunder

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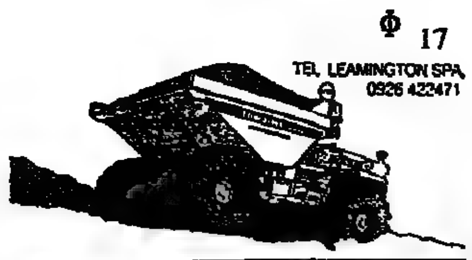

INSIDE

Hanwa hit by Y25bn book losses

An aggressive investment record in the 1980s has come back to haunt Hanwa. The Japanese steel-trading company confirmed yesterday that it had suffered book losses of Y25bn ($197m) on its securities portfolio, built up through the skills of president Shigeru Kita, who became known as the god of zaitech, or financial engineering. Hanwa's holdings include a large proportion of bank shares, which have been hit badly by the fall in the price of Japanese bonds and equities. Page 19

Collision course

Robert Maxwell (left) may be heading for another clash with the Australian government over his ambitions to enter the country's newspaper industry. He is among a "very select number of potential purchasers" to have been offered a controlling stake in the Bell Group newspaper, the West Australian, as part of a restructuring of Bell's media interests. Mr Maxwell offered to buy 49 per cent of the West Australian earlier this year, but the government blocked the deal. Page 18

Waterford to move factories

Fresh first-half losses at Waterford Wedgwood, the Irish crystal and china group, have prompted the management to move a "substantial" part of its manufacturing operations outside Ireland for the first time. The decision to source large amounts of its crystal production in continental Europe stems partly from a bruising 14-week strike earlier this year and from an attempt to slash costs. Page 24

Beers and cheers

Twice blocked in his attempts to increase the presence of Elders IXL in Britain, chairman John Elliott now has cause to celebrate after concluding a pubs-for-breweries swap with Grand Metropolitan. The deal also gives him crucial breathing space in attempts to restructure his private company, Harlin Holdings. Page 20

Brussels in a banana split

Brussels will have to do some fancy footwork to avoid slipping up on banana imports. Developing countries are putting pressure on the European Community to negotiate in the Uruguay Round trade talks over what they see as discrimination against their banana exports. William Dullforce reports. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Falls				**Rises**			
BMW	415	−	6.5	Havas	559	+	13
Bayer	212.5	−	7.2	Paribas	477	+	9
Hoechst	197.1	−	5.4	Peugeot	510	+	10
Porsche	700	−	11	Soc Gen	382	+	7
Thyssen	186.5	−	3.7	Suez	312	+	5.2
Volkswagen	401.2	−	7.9	**Falls**			
NEW YORK ($)				Lafarge	322.1	−	12
Rises				**TOKYO (Yen)**			
Apple Comp	26½	+	1½	**Rises**			
Microsoft	58½	+	1⅞	Honshu Paper	2050	+	300
Quantum	14½	+	1⅝	IHI	739	+	37
Falls				Marubeni	714	+	14
Itel	8⅞	−	1½	Nippon Steel	442	+	14
MCI	29⅞	−	1⅛	Sato Kogyo	1490	+	90
Sallie Mae	35¾	−	2¼	Sumitomo Metal	465	+	27

LONDON (Pence)							
Rises				Laporte	476	−	12
Burton	70	+	3	Legal & Gen	373	−	13
Etam	93	+	4	Manpower	49	−	3
Geest	270	+	12	News Int	105	−	6
Highland Dist	212	+	9	P & O	501	−	18
Maxwell	150	+	9	Premier Cons	82½	−	4½
Priest Marians	35	+	5	Steetley	368	−	13
Falls				Traf House	188	−	7
BSA	110	−	8	Unilever	639	−	14
Brent Walker	60	−	24	VSEL	365	−	22
Caird	70	−	23				
LASMO	439	−	9				

Out of the woods and into the goldfields

Getting more out of CFI may be a tall order but Hanson would appear to be the winner in the deal

Nikki Tait, Maggie Urry and Kenneth Gooding look at the motives behind the gold for forest swap

SIR JAMES Goldsmith, the flamboyant financier, claims he has been trying to retire since 1987 when he began liquidating his assets in France and the US.

It has not always looked that way. His retirement has included an abortive £13.5bn ($26.4bn) takeover bid for BAT Industries, the tobacco and insurance group, not to mention the purchase of a 29.9 per cent stake in Ranks Hovis McDougall, the food manufacturer.

"I do keep having relapses," he remarked amiably yesterday. Asked if he planned any more, he laughed and said no.

With Tuesday's $1.3bn forest-for-gold asset swap with Lord Hanson's UK conglomerate, he will unburden himself of his last substantial operating business.

"This is the end of my business career," Sir James said speaking from Deauville in France. "I do want to retire from active business. I'm liquid and in good shape and I want to do something whole-heartedly and with greater enthusiasm." The alternative occupation will be environmental work, another theme which he has propounded in tub-thumping style over the years.

But the deal has left observers wondering what is in it for Sir James as income from the new investment will be far lower. It involves swapping Hanson's 49 per cent stake in Newmont Mining, the leading US gold company, bought as part of the conglomerate's takeover of Consolidated Goldfields in August 1989 for Sir James' Cavenham Forest Industries (CFI).

Since Sir James has 85 per cent of CFI he will end up with 42 per cent of Newmont with Lord Rothschild, one of his partners in Hoylake, taking the rest of the stake. Yesterday, in his usual unconventional manner, the Anglo-French financier provided a further answer, the retirement issue aside.

He claims to be a bull, albeit long-term, of gold. "Gold will have its day," he declared emphatically. He quickly added the caveat that he remains a bear about economic conditions generally and suspects there will be a deflationary environment before the inflationary one develops.

As for Newmont itself, the financier maintains he has always liked the company, describing it as a "blue chip of gold". The deal appears to have been speedily tied up. On Thursday last week, Hanson decided to postpone indefinitely a public offering of some of its shares in Newmont. It said the sale was delayed because the Newmont share price was sliding.

The day before, it now emerges, Sir James and Sir Gordon White, head of Hanson's US business, discussed an alternative to the share sale – the swap which would give Hanson $39½ a share for its whole Newmont stake. It was then hammered out by lawyers and advisers over a frenetic weekend.

CFI – the major operating business within Goldsmith's Cayman Islands-based General Oriental Investments group – was put up for sale some time ago, with Salomon Brothers retained to find buyers.

According to Sir James, there was considerable interest, but largely in a sizeable chunk of the business rather than the group as a whole. Hanson itself looked at the business some months ago, although in Sir James' words, these particular negotiations "withered" as others took their place.

But why should Hanson want a US timberland, sawmills and oil and gas group which has been on the market for months? As one cynic put it, "if it's an asset strip, Goldsmith would have stripped it."

Hanson's stake in Newmont was returning a paltry $20m a year in dividend income, while CFI made trading profits last year of $97m. Thus Hanson's profits should, without any improvement from CFI, end up around £40m better in a full year, plus it will have the benefit of the cash-flow from the business. Further, since the CFI assets are valued at $1.6bn, $300m more than the purchase price, Hanson's balance sheet benefits from the deal. Mr Martin Taylor, vice-chairman of Hanson, is confident that when Hanson gets to work on CFI it can get more out of it. This may be a tall order.

Since Sir James bought the business, through his purchase of Crown Zellerbach in 1986, the CFI timber and wood operations have increased profits at an annual compound rate of 56 per cent. The wood products and oil and gas businesses have not done so well but are comfortably profitable. Between 1986 and 1989, CFI's operating profits quadrupled. Employee numbers have been cut from 1,500 to 650. Yet much of the management has remained intact: Mr Russ Carsen, who heads CFI, has been there for over 20 years.

As a sideline, Hanson has now realised £1.75bn from sales of ConsGold assets, just over half the purchase price, in little more than a year. And its end-September balance sheet will show net cash. If anything, Mr Martin Taylor, says this deal puts Hanson in an even better postion to "do interesting things".

And what of Newmont, the innocent bystander in the deal? It has first refusal on the Hanson stake, but there can only be an outside chance that it would opt to borrow more than $1bn to buy in the shares having spent the past three years fighting to reduce a debt burden of $1.9bn.

The Denver-based company said it was unlikely to call a board meeting before the scheduled date of October 30.

Newmont was heavily criticised in some quarters for taking on the debt in 1987 as part of its successful battle to ward off the unwelcome attentions of Mr T Boone Pickens, the Texas corporate raider.

The company points out, however, that if the consortium lead by Mr Pickens had succeeded, Newmont shareholders would have collected about $2.5bn of junk bonds from the now-defunct Drexel Burnham Lambert.

Mr Gordon Parker, chairman of Newmont, said of the deal between Goldsmith and Hanson: "If the transaction occurs, we would look forward to as constructive a relationship with our new shareholder as we have had with Hanson."

Hanson has two representatives on the board, and the new owner of the holding will have board representatives under the standstill agreement which accompanies the stake.

Sir James Goldsmith will not be entirely giving up business life yet.

Goldsmith: intent on leaving his business career for environmental work and convinced that gold will have its day

Cologne Re boosts investment in reinsurance unit

By Richard Lapper in London

COLOGNE RE, the German reinsurance company acquired last year by France's Groupe Victoire, is pumping substantial additional capital into a reinsurance unit and inviting outside shareholders to join in.

The reinsurance subsidiary is Europa Reinsurance. Cologne Re, until now the sole shareholder in Europa, will increase its investment from DM2.5m to about DM40.8m ($13m) but reduce its overall stake to 75 per cent.

The remaining 25 per cent of Europa is being parcelled out in 5 per cent stakes to five medium-sized insurance companies. They will each invest about DM2.7m to increase Europa's total capitalisation to DM54.4m.

The new minority shareholders are Iron Trades Insurance of the UK, Centraal Beheer of the Netherlands, Mutuelle Artisanale de France, and two German companies, Provinzial Feuerversicherungsanstalt der Rheinprovinz and Westfalische Provinzial.

Cologne Re says that Europa is expected to develop the group's European business. The company will aim to expand its business via sales through brokers. By contrast, Cologne Re, one of the world's oldest reinsurers, has dealt directly with reinsureds since it was established almost 150 years ago.

Europa Re will specialise in non-proportional reinsurance in the property, liability, marine and energy areas, specialising in so-called working layers (lower-level exposures) rather than higher-level excess layers. This has been a highly competitive market over the past few years as leading players fight to win market share in the run-up to 1992.

Europa Re will be based in Cologne. However, it will apply for space in the London Underwriting Centre – which is due to open early in 1992 – indicating that it intends to be active on the London market.

Mr Rolf Tolle, previously managing director of UNI Polaris in Oslo, is to be executive director of the new company.

Mr David Pinnell, the general manager of the British participant, Iron Trades Insurance, welcomed participation in Europa, which he said had brought the company several valuable European links at "one swoop".

It has allowed us to enter the reinsurance field without having to set up our own company," he added.

Kleinwort loses £34m in single sale of shares

By David Lascelles in London

KLEINWORT Benson, the City of London investment banking group, yesterday lost £34m ($66.5m) on the sale of a large block of shares in Premier Consolidated Oilfields.

Half of Kleinwort's expected profits of £60m-£70m this year will be wiped out by what is believed to be the worst single trading loss in UK securities' history.

Mr Charles Hue Williams, joint head of the group's equities division, resigned yesterday morning after taking responsibility for the situation.

The loss represents a serious setback at a time when the recession was already putting profits under pressure. It has also damaged Kleinwort's credibility as a marketmaker, and raised questions about its ability to trade large blocks of shares.

Kleinwort paid £138m or 99p per share in early August for 29.7 per cent of Premier, an independent UK oil producer, after the stake was put on the market by Burmah Castrol.

Kleinwort hoped to make a quick trading profit by re-selling quickly in the aftermath of the invasion of Kuwait when oil prices were rising sharply. But there were no takers and Premier's share price collapsed, falling as low as 76p.

The group was obliged to hold the position for 10 weeks before it finally managed to place the shares with a number of UK institutions yesterday at 78p.

Mr David Peake, Kleinwort's chairman, acknowledged that the group "had made a misjudgment" in trying to sell the shares at a premium.

He estimated the loss on the position at just under £30m, not counting the cost of holding the shares, which analysts have put at £4m-£5m.

Mr Peake denied that Kleinwort's capital position had been put at risk by the loss, nor had it deflected Kleinwort from its ambition to develop an integrated investment banking business, including marketmaking. "Bought deals are very much what we're there to do," he said, referring to the practice of acquiring large blocks of shares.

Richard Waters writes: Kleinwort also yesterday closed down its Japanese equity warrants business in London, making 35 people redundant.

Manpower asked to cut sale price of UK units

By Clare Pearson in London

MANPOWER, the US-based employment agency, has been asked to accept a lower price for the sale of five of its UK businesses than the £106m ($207m) agreed before the deal ran into eleventh-hour problems last week.

Yesterday, Manpower announced that Brook Opportunities, the vehicle for the planned management buy-out, had "requested a variation of some of the terms (including a price reduction) to enable the purchase to take place."

But it is thought that Brook sees a reduction in price as the only solution to problems with its lenders which surfaced just days before the sale on the original terms was due to be completed last Thursday. Brook informed Milwaukee-based Manpower of its conclusion on Tuesday night. If Manpower decides to recommend a lower price to allow the sale to take place, the company will be in the unusual and embarrassing position of having to go back to shareholders for approval, which they had already granted for a sale on the previous terms.

However, Mr Mitchell Fromstein, Manpower's chairman, said yesterday he did not know whether it would be necessary to lower the price, or whether some other change might be made. He said he was still keen to make the sale provided it was at a "fair and reasonable price."

Mr Fromstein added: "We are now in discussions with Brook and I hope to bring them to a speedy conclusion to end this uncertainty."

Brook Opportunities' last-minute difficulties appear to have arisen from dissatisfaction among banks with the assets they were offered as security for making loans.

Under the original deal, organised by Prudential Venture Managers, loans to Brook amounting to £75m would have been obtained from Citibank, Barclays, Chase Manhattan and Intermediate Capital Group.

The businesses comprise Brook Street, Blue Arrow Personnel Services, Extrastaff, D P Support Services and IPS Group.

Their disposal would sever finally the connection between Manpower and Blue Arrow, the company then headed by Mr Tony Berry which took over Manpower two years ago in a £800m deal. Since then Mr Fromstein has taken the company back to its US roots.

Mr Fromstein said yesterday that Manpower had earlier looked at a number of other approaches for the businesses but Brook's had seemed the best "taking all factors into account".

It is thought the company, which planned to retain a presence in the UK via its own Manpower branches, had been reluctant to sell the businesses to a competitor.

Yesterday Manpower's share price closed 3p down at 49p.

Adia chief studies offers for 40% shareholding

By William Dullforce in Lausanne

MR WERNER REY, the Swiss financier, confirmed yesterday that he had received "certain approaches" to buy his stake of more than 40 per cent in Adia, the employment and services group which has a strong European and North American presence.

At the current price Mr Rey's stake would be worth more than SFr700m ($547m) but Swiss financial newspapers say he is being offered a handsome premium.

He said he was studying the eventual advantages the offers might could have for the shareholders of Adia and his own Omni Holding company.

Mr Rey secured some 25 per cent of the voting rights in Adia when the Lausanne-based international group merged last year with Inspectorate International, his inspection services company.

Recently, with the price of the Adia bearer share hovering around SFr1,000 against SFr2,200 a year earlier, Mr Rey has increased his stake to over 40 per cent.

Mr Georges Muller, Adia chairman, said that Mr Rey had assured the board he would keep his holding below 50 per cent and keep the board informed of any negotiations for its sale.

Adia laid itself open to a takeover at the time of the merger, when, abandoning traditional Swiss practice, it changed its registered stock into freely tradeable bearer shares available to foreign investors.

The group disappointed analysts by posting 1989 net earnings of SFr201m, below forecast, on a SFr5bn turnover.

Analysts expect a further profit decline of 10-15 per cent this year.

United Technologies rises 22% helped by disposals

By Martin Dickson in New York

UNITED TECHNOLOGIES, the aerospace, automotive and building products group, yesterday announced a 22 per cent increase in third-quarter net income, helped by a gain on the sale of two Italian automotive companies.

Net income rose to $239.8m from $196.7m in the same period last year, including a $46.5m pre-tax gain on the sale of the Diavia and Aura automotive companies, while revenues totalled $5.3bn, up from $4.8bn. Earnings per share, fully diluted, were $1.76 against $1.39.

The company said that excluding the Italian sale, earnings in the quarter rose by 7.5 per cent.

Mr Robert Daniell, chief executive, said operating results were strong in all segments and he was particularly pleased with the performance in the light of the poor domestic economic environment and the weakness in the car and housing markets.

The company's flight systems unit, which includes the Sikorsky helicopter operations, produced profits of $50m, against a $34m loss in the third quarter of last year.

The power segment saw operating income of $242m, down $39m from last year when Pratt & Whitney, the aero engine manufacturer, realised substantial one-time fee income from engine programme partners.

Building systems, which includes Carrier air conditioners and Otis elevators, saw a $15m drop in operating profits to $138m. A strong European performance at Carrier was more than offset by the weak North American housing market. Results from Otis were also lower, mainly because of the economic upheavals in Brazil.

MCI turns in $176m net loss

By Barbara Durr in Chicago

MCI Communications, the second largest US long-distance telephone network after American Telephone & Telegraph, reported a net loss in the third quarter of $176m or 69 cents per common share, following a $550m write-down.

The charge stemmed from the company's decision, announced this year, to accelerate plans to revamp with digital equipment. The loss compares with earnings of $158m or 62 cents a year ago. Without the one-off charge, earnings would have been $180m, or 71 cents per share.

Wall Street sliced $1 off MCI's shares which fell to $29.75 in mid-morning trading.

For the first nine months, MCI's net earnings were $150m or 59 cents a share, on sales of $5.67bn. This compares with earnings of $428m or $1.73, on sales of $4.76bn last year.

MCI, which is seeking to sharpen its competitive edge against AT&T – which claims nearly 80 per cent of the long-distance market – accelerated its plan for digitalisation and retirement of its outmoded analogue plant and facilities from 1993 to 1991.

The decision is expected to improve the quality of MCI's lines and reduce its lease costs with Williams Telecommunications, which operates the fourth-largest fibre-optics network.

MCI's third-quarter revenues were up 20 per cent to $2bn compared with $1.67bn for the same quarter last year.

Revenues were boosted by MCI's acquisition of Telecom USA, formerly the fourth largest US long-distance carrier.

During the quarter, the company introduced MCI Vision, a long-distance package that aims to give small and mid-sized businesses the same kind of services that larger companies enjoy.

Mr Bert Roberts, the company's president, said MCI Vision had become one of its fastest growing products. Another new service unveiled during the last quarter was Virtual Private Data Services, a family of products expected to bring the power of supercomputers to the desktop.

The company appears to be strengthening its longer term competitive position with such services and its agreement, announced during the past quarter, to acquire Overseas Telecommunications, a leading company for international digital satellite services.

MCI has also joined Merit and International Business Machines to establish a fast computer networking company, called Advanced Network and Services.

MacMillan Bloedel hit by market softness

SOFT MARKETS, a high Canadian dollar and rising costs took a heavy toll on MacMillan Bloedel, the Canadian forest products concern, in the first nine months, writes Robert Gibbens in Montreal.

The Vancouver-based company, controlled by Noranda, reported third-quarter earnings of C$6.2m (US$5.3m) or 3 cents a share, against C$65.4m or 60 cents a year earlier. Sales were C$719m against C$818m.

Nine-month earnings fell to C$65m or 53 cents a share, compared with C$207m or C$1.92 a year earlier on sales of C$2.3bn against C$2.5bn.

Markets were depressed in pulp, lumber and containerboard. The Harmac pulp mill was closed for a month to cut inventories. But newsprint demand has remained strong.

Smith Corona falls 59% amid Asian competition

By Martin Dickson

SMITH CORONA, the typewriter manufacturer which has been hit hard by fierce Asian competition in the US market, yesterday announced a 59 per cent drop in first-quarter net income.

The world's largest manufacturer of portable electronic typewriters, which is 48 per cent-owned by Hanson of the UK, reported net income of $6.7m or 22 cents a share, down from $16.3m or 54 cents in the same period of last year. Sales were $118.7m against $152.2m.

Smith Corona suffered a plunge in profits not long after Hanson sold a majority of the company in a public offering in July last year.

This was due to strong Asian competition and a slump in the US typewriter market.

The first quarter is one of the company's most important for earnings, since it covers the "back to school" spending period in August and September.

Mr Lee Thompson, chairman, said they had expected the domestic consumer market to continue to be soft during the first quarter, but added that revenues "have exceeded our plan". In addition, international revenues had continued to grow.

He said the company continued to make "excellent progress" in cutting inventory and control costs.

Inventories as of September 30 had declined to about $78m, down from $104.6m at the end of July.

US bank disappoints with $77m net income

By Martin Dickson

MANUFACTURERS Hanover, the New York money-centre bank, reported third-quarter net income of only $77m, below analysts' expectations.

The figure compared with a net loss of $788m in the period last year, but that was due to a one-off $950m addition to reserves against Third World debt. Earnings per share in the latest quarter were 59 cents, against a loss of $15.46.

Wall Street had been forecasting earnings per share of about $1.25. Mr James McDermott, an analyst at Keefe Bruyette, said the bank's provisions had been larger than expected.

The bank's provision for possible credit losses was $115m, compared to $70m (excluding the Third World loan addition) in the period last year.

The bank said the results reflected "an extremely difficult operating climate", with lower revenues and a slight increase in non-interest expense, as well as the higher provision.

Non-performing loans, apart from those to the Third World, were $985m, up from $915m at June 30.

Net write-offs, apart from to the Third World, were $90m against $74m a year ago. The results included a $21m pre-tax gain on the sale of an office building in London.

● Wells Fargo, one of the leading banks on the economically more buoyant west coast, announced third-quarter net income of $162.4m, up 6 per cent from the $153.7m reported a year ago. Earnings per share were 7 per cent ahead at $3.03.

The bank said earnings were helped by an increase in net interest income, due mainly to an increase in loans and lower funding costs. This was partially offset by higher non-interest expense.

The provision for loan losses was $75m, the same as in the second quarter and below the $82m in the year-ago period.

● The Federal National Mortgage Association (Fannie Mae), the biggest US provider of residential mortgage funds, yesterday said it would increase its quarterly dividend on common stock to 22 cents a share from 18 cents, Karen Zagor reports. The dividend will be payable on November 25 to shareholders recorded as of the close of business on October 31.

Burger King to shed 300 staff

By Nikki Tait

BURGER KING, the fast food chain owned by the UK's Grand Metropolitan, is reducing its non-restaurant staff number by about 25 per cent.

About 300 US employees will be made redundant. The job losses range from low-level administrative positions to senior posts.

Burger King said the cutbacks followed a review of the business, with the help of outside consultants. Some seven of its 19 regional offices will be closed.

Leading US regional banks confirm depressing trend

By Alan Friedman in New York

THIRD-quarter results from three leading regional groups yesterday confirmed the depressing trend in US banking.

NCNB, the south-eastern regional bank that has been hit by the weakening commercial real estate market, yesterday disclosed a 60 per cent tumble in its third-quarter net, to $57m, or 51 cents a share.

The performance of NCNB is a good measure of the region's economy as it has more than 900 banking offices in seven states.

The Charlotte, North Carolina-based NCNB had prepared the market for its sharp decline by making a forecast late last month.

Wall Street nonetheless marked the company's share price ½ point lower at midday yesterday, to $20⅝ – this represents a drop of 18 per cent in the share price since its prediction in September.

Fleet/Norstar, the north-eastern regional bank also hit by the real estate crisis, said its third-quarter net was down by 60 per cent as well, to $38.5m or 33 cents a share.

Fleet Norstar, with 1,000 offices in 40 states, has done little better than to break even for the first nine months of 1990 (its actual nine-month net was less than half a million dollars), against a 1989 net profit of $279m for the same period.

Continental Bank, the Chicago institution that was rescued at a cost of $1bn by US regulators in 1984, yesterday disclosed a 38.5 per cent drop in its third-quarter net profit, to $40m.

The third-quarter result, coming after a break-even result for the first six months of 1990, means that Continental's nine-month performance is the same as its third-quarter profit of $40m, which compares with a 1989 result of $205m in net earnings for the same period.

Mr Hugh McColl, NCNB chairman, said the bank's earnings "reflect the difficult operating environment facing banks today".

He added that continuing increases in problem loans and loan losses, with the continuing deterioration of the US economy, "dictate our cautious stance on credit quality issues".

This caution was illustrated by NCNB's decision to strengthen its loan-loss reserves by $67m to $593m.

Continental Bank stressed that it had succeeded in reducing operating expenses; the bank decided in the second quarter to cut its payroll by about 13 per cent and take a $57m loss after special charges to cover the costs.

Mr Terrence Murray, chairman of Fleet/Norstar, said that while the economy continued to deteriorate, not only in the bank's home base of New England, but nationally, he believed that Fleet/Norstar's diversification would position the company to resume growth when the economy eventually turned around.

Fleet's share price gained ⅛ point yesterday morning, to $11¼, as did Continental Bank's price, at $8⅛.

Philip Morris climbs to $937m

By Martin Dickson in New York

PHILIP MORRIS, the US food, drink and tobacco group which recently bought Jacobs Suchard of Switzerland for $4.1bn, yesterday reported a 25.3 per cent increase in third-quarter net income, with strong advances in all its divisions.

Net earnings totalled $937m compared with $748m in the same period of last year, while earnings per share were up 24.7 per cent at $1.01 compared with 81 cents. Operating revenues were up 15.6 per cent at $12.8bn.

The results, broadly in line with Wall Street's expectations, were the first to include a contribution from Jacobs Suchard, which many analysts think may be mildly dilutive to earnings in the short-run but will give the company a strong strategic boost over the longer term.

Kraft General Foods, which includes Jacobs Suchard, had a 24 per cent advance in operating income on revenues up 16.4 per cent. Excluding Jacobs Suchard the advance in income was 18 per cent.

US tobacco operations saw a 16.1 per cent increase in operating income on revenues 8.2 per cent ahead and slightly higher unit volume. Internationally, the company's tobacco business saw a 16.9 per cent jump in operating income on a 9.8 per cent rise in unit volume.

Miller Brewing, the beer manufacturer, saw a 31.6 per cent jump in operating income on volume up 2.8 per cent and operating revenues up 5 per cent.

For the first nine months of the year, operating revenues were $36.9bn, up 11.6 per cent, with net earnings advancing 27.7 per cent to $2.7bn.

Coca-Cola in strong sales advance

By Karen Zagor in New York

COCA-COLA, the world's biggest soft drinks manufacturer, yesterday reported strong gains in third-quarter sales and profits, in line with analysts' expectations.

Third-quarter net income rose 9.4 per cent to $394.2m on revenues 26.6 per cent higher at $2.79bn, compared with income of $356m on sales of $2.21bn a year ago. Earnings per share, adjusted for a two-for-one stock split in May, rose to 58 cents from 51 cents.

Excluding one-off items, Coca-Cola said net income in the latest quarter increased 21 per cent while earnings per share advanced 26.1 per cent.

The company said income growth was led by solid growth in soft drink gallon sales, significant profit expansion at the company's foods business and the translation benefits of a 10 per cent weaker dollar against hard foreign currencies.

Mr Roberto Goizueta, chairman, said: "We are particularly pleased with our continuing market share gains in the US, the consistently strong volume growth of our international business, the excellent performance of our equity investments in bottling ventures and the earnings rebound at Coca-Cola Foods."

For the nine months, net income was $1.07bn, up 12.9 per cent, and earnings per share 17.6 per cent higher at $1.60. Revenues increased 19.1 per cent to $7.68bn.

Gallon sales of soft drink concentrates and syrups in the US increased by more than 5 per cent in the quarter. Outside the US, gallon sales advanced nearly 7 per cent, with a 13 per cent rise in the European Community. The EC rise was led by Germany, with a 30 per cent increase.

Retail frozen orange juice shipments climbed 25 per cent in the quarter, while chilled orange juice shipments fell 9 per cent. The company said operating profits from Coca-Cola Foods soared in the third quarter.

Bristol Myers posts 21% surge in quarter

By Alan Friedman

BRISTOL-MYERS Squibb, the world's second largest drugs company created after an $11.5bn merger last year, yesterday reported a 21 per cent rise in third-quarter net earnings to $496m, or 94 cents a share.

The profits growth was struck on third-quarter sales that increased by 13 per cent to $2.6bn. For the combined first nine months of 1990 the company's net income was up by 20 per cent to $1.3bn or $2.51 a share on 11 per cent higher sales of $7.6bn.

Mr Richard Gelb, chairman and chief executive, said growth in non-US sales (of 20 per cent) far outstripped the rise in domestic revenues of 9 per cent.

He added that sales for the pharmaceuticals business were especially strong, increasing by 23 per cent in the third quarter and 18 per cent for the nine-month period.

Exchange rate fluctuations during the third quarter also had a favourable effect on sales, amounting to a paper gain of about 3 per cent.

Wall Street reacted to the results yesterday morning by marking the company's share price $1 higher to $59¼.

Bear Stearns slips 18.5% to $18m

By Alan Friedman

BEAR STEARNS, the Wall Street securities house, yesterday unveiled an 18.5 per cent slide in net income for its first fiscal quarter to $18m, or 17 cents a share.

On the New York Stock Exchange, where expectations of sluggish results from the securities industry are already discounted, the company's shares were marked ⅛ point down to $8⅝.

Mr Alan Greenberg, chairman of Bear Stearns, argued yesterday that the results "reflect the earnings ability of the company in a very, very difficult environment".

The brokerage house's gross revenues for the quarter were down to $551.8m, compared with $560.4m in the same period last year.

Bear Stearns said results were helped by strong performances in the mortgage and government bond trading areas and the sale of an investment in a small company.

But depressed retail sales and uncertain markets had a negative impact on commissions, net interest income and risk arbitrage revenues.

LEGAL NOTICES

HALFACRE AND YOUNG JOINERY LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of the unsecured CREDITORS of the above named company will be held at: Cork Gully, 9 Greyfriars Road, Reading, Berkshire. RG1 1JG. on 26 October 1990 at 11.00 am for the purpose of having laid before it a copy of the report by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are entitled to vote if:

(a) they have delivered to us at the above address, no later than 12 noon on 25 October 1990, written details of the debts they claim to be due to them from the company, and claim had been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Dated: 9 October 1990

N J Vooght
Joint Administrative Receiver

Yellowhammer plc
YHA Realisations Limited
(formerly The Yellowhammer Advertising Company Limited)
Yellowhammer Sales Promotions Company Limited
Yellowhammer Business Limited
(formerly Newstech Communications Limited)
Yellowhammer Design Limited
Yellowhammer Direct Limited
Alligator Limited
Relioprop Realisations Limited
(formerly Propeller Typesetting Limited)
Oakwood (DCS) Realisations Limited
(formerly Doszine Creative Services Limited)
Generator Advertising Limited
(formerly Generator Marketing Limited)
Axis Media Limited
SPA Public Relations Limited
(formerly Sara Pearson Associates Limited)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that meeting of the unsecured creditors of the above-mentioned companies will be held at The Chartered Insurance Institute, 20 Aldermanbury, London EC2V 2HY on 5 November 1990 at 10.00am for the purpose of having laid before them copies of the report prepared by the Joint Administrative Receivers under Section 48 of the said Act. The meetings may, if they think fit, establish Committees to exercise the functions conferred on Creditor's Committees by or under the Act.

Creditors are only entitled to vote if:
a) they have delivered to me at the address shown below, no later than noon on 5 November 1990, written details of the debts they claim to be due to them form the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
b) there has been lodged with me any proxy which the creditors intends to used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address below; photocopies (including faxed copies) are not acceptable.

Dated: 12 October 1990

J M Iredale
Joint Administrative Receiver
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

Note
Creditors may obtain a copy of the report, free of charge, on application to Joint Administrative Receivers at the address shown above.

OBITUARY

SCAWEM

On October 13th 1990 peacefully in his own home. Montague Milford Scawen aged 76 years late of Worthing, Sussex. Beloved father of Tony, Julie-Ann and Deidre. Funeral service on Friday October 19th at Durrington Cemetery Worthing at 11.15 am. All enquiries to William Weller & Son Ltd.

Tel. 0903 753232.

INTERNATIONAL COMPANIES AND FINANCE

Severn Trent unlikely to pursue £78m Caird bid

By Andrew Bolger in London

SEVERN TRENT, one of the largest of Britain's recently privatised water companies, seems unlikely to proceed with its 100p a share offer for Caird Group – even though the UK waste disposal company yesterday reluctantly recommended its shareholders to accept.

The market clearly believed the £78m ($150m) bid was unlikely to proceed, with Caird shares falling by 23p to 70p after its recommendation was published. Severn Trent shares closed down 2p at 194p.

Severn Trent launched its bid last month after Caird had shocked the City with annual results well below expectations. Caird's share price, which peaked at 234p in July, quickly collapsed to 65p. Severn Trent was soon able to buy enough shares in the market to raise its stake to 29.98 per cent.

When Caird published its annual results on September 4, it forecast that it would make pre-tax profits of £8.5m in the 18 months to December 31. Severn Trent made it a condition of its bid that Caird repeat the forecast.

Yesterday Caird not only failed to meet that condition, but failed to do so with a document which raised serious questions about the management and financial controls of the group.

Caird said yesterday it now expected to make only £7.15m in the 18-month period to the end of this year. Caird also said it had decided to pull out of property development and was making an extraordinary provision of £3m to cover anticipated losses and closure costs. It has made a further provision of £1.89m to cover the closure costs and losses of other businesses to be sold.

Caird's auditors, KPMG Peat Marwick McLintock, qualified its endorsement of the profits forecast.

Mr John Bellak, chairman of the water company, finds himself in a dilemma. If he walks away from the deal, Severn Trent will suffer a considerable blow to its credibility – and will still be left with the problem of what to do with its large stake in Caird.

Analysis, Page 24

Hanwa hit by portfolio losses

By Stefan Wagstyl in Tokyo

HANWA, a steel trading company which turned itself into one of the most aggressive investors in financial markets in the 1980s, confirmed yesterday that it had suffered book losses of Y25bn ($197m) on its securities portfolio.

The losses, recorded when the company closed its accounts for the six-month period ending September 30, reflect this year's fall in the prices of Japanese bonds and equities. Hanwa's holdings include a large proportion of bank shares, which have been hit particularly badly.

However, the company said it was not in financial trouble. It expects to make a net profit for the period some 30 to 40 per cent lower than for the same months last year, when it reported Y13.2bn. This is because the bulk of the book losses will not be realised – the shares will stay in the company's portfolio.

Hanwa's main bank is Sumitomo Bank, which is currently having to deal with problems at Itoman, a trading company which borrowed heavily from Sumitomo to invest in property.

Hanwa's reputation in the markets rests on the trading skills of Mr Shigeru Kita, the president, who became known as the god of *zaitech*, or financial engineering. In the 1980s, the company came to rely heavily on non-operating profits for growth. Last year the company made 70 per cent of its profits from non-operating sources.

As companies prepare to announce their interim figures over the next few weeks, it is clear that many groups which invested surplus cash in securities will have suffered losses, some as great as those at Hanwa.

Some groups are conservative with their investments, notably Toyota Motor and Matsushita Electric Industrial, controllers of the two largest cash mountains. Both shun securities and keep money on deposit. Their financial profits will probably have increased due to the rise in interest rates.

Other corporate investors poured money into securities and specialised trusts.

Kvaerner expects to improve profits

KVAERNER, the Norwegian engineering and offshore group, expects to improve profits this year after a sharp rise in eight-month earnings, writes Our Financial Staff.

Profits before extraordinary items rose from NKr177m ($30.1m) to NKr686m for the eight months to August 1990. Profits for 1989 were NKr719m. Eight-month turnover was NKr7.83bn against NKr6.44bn.

Alcatel arms in merger

LESS THAN two weeks after Fiat and Compagnie Générale d'Electricité (CGE) announced a link, Alcatel, CGE's telecommunications subsidiary, is further raising its profile in the Italian telecommunications industry, writes Haig Simonian in Milan.

Manuli Cavi, one of Italy's leading cables groups, which is wholly-owned by Alcatel, is merging with Fulgorcavi, another domestic cables producer controlled by the Alcatel group. The new entity, to be called Alcatel Cavi, will take over Manuli Cavi's stock exchange listing from January. Together, the two companies will have total sales of L410bn ($362m), 1,900 employees and eight factories in Italy.

The merger is designed to reinforce the group's standing in the Italian market.

Chance for Maxwell to control Bell newspaper

By Kevin Brown in Sydney

BELL GROUP yesterday announced plans for a restructuring of its media subsidiary which could allow Mr Robert Maxwell, the UK newspaper publisher, to take a controlling interest in the West Australian newspaper.

Bell, which is 70 per cent-owned by Bond Corporation Holdings, said it was offering a controlling stake in the newspaper to "a very select number" of potential purchasers, including Mr Maxwell.

The announcement raises the possibility of a further clash between Mr Maxwell and Mr Paul Keating, the Australian Treasurer (finance minister) who has indicated he will oppose any attempt by Mr Maxwell to enter the Australian newspaper industry.

Mr Maxwell bought 14.9 per cent of Bell this year, and later offered to buy 49 per cent of the West Australian from Bell. The deal did not go ahead after opposition from Mr Keating, but has never been formally withdrawn.

The Treasurer indicated that Mr Maxwell's bid would be blocked under Australia's foreign investment regulations, which allow the government to veto the acquisition by a foreigner of more than 14.9 per cent of an Australian company.

An earlier attempt by Mr Maxwell to buy The Age, the Melbourne daily newspaper, from the Fairfax group was also opposed by the government, and was not pursued by Fairfax.

The West Australian is a profitable Perth-based newspaper with a monopoly of daily circulation in Western Australia since the closure of the Perth Daily News this year.

Mr Maxwell is thought to want the West Australian to strengthen his hand against Mr Murdoch, his chief rival in the UK. Mr Murdoch, a US citizen, controls 60 per cent of Australian daily newspaper circulation through News Corporation, his Australian master company. The government considers him a special case because he was an Australian citizen when the assets were acquired.

Quiet revolution at Banco Exterior

Peter Bruce on the person who transformed an ailing bank's fortunes

YOU have to excuse Mr Francisco Luzon for being so pleased with himself. He may have good reason to be.

On November 30 1988, Mr Luzon became president of Spain's sixth largest bank, Banco Exterior de España, an event eclipsed by the tumult of mergers, takeovers and scandals in the rest of the industry. It has taken near-war in the Gulf to bring what amounts to a minor revolution at Exterior into sharp focus.

While Spanish bank shares in general have tumbled about 30 per cent on average since August 2, Exterior's stock has barely budged.

Brokers say this is because Exterior trades, or orchestrates trading, in its stock to support prices.

The bank says the 20,000 new shareholders it has attracted through equity issues in the last two years have kept institutional investors at bay and share prices steady.

Exterior's recent profits performance has been impressive. Net profits last year rose 64.5 per cent to Pta12.4bn ($130.6m). For the first six months of this year, the net figure was up 50 per cent on 1989, at Pta7.5bn. Nine-month results, to be published today, will probably show more growth.

The bank's return on assets, an embarrassingly low 0.35 per cent in 1988, could reach 1 per cent this year, just as the sectoral average, 1.25 per cent, is starting to fall. Yesterday Exterior said it would pay a Pta72.5 dividend for 1990, 20.8 per cent up on last year.

Two years ago, Banco Exterior was one of the truly grey institutions in the country. Controlled by the state (which still has a 60.5 per cent share), BE's principle business, the provision of export credit, was losing money and, says Mr Luzon, "our staff had an enormous inferiority complex".

However, Mr Luzon came to Exterior after 16 years with Banco de Vizcaya which, under the late Mr Pedro Toledo, had a reputation for producing independent, creative bankers.

Francisco Luzon: "our profits can now grow much quicker"

Following the merger of Banco de Bilbao with Vizcaya in 1988, Mr Luzon left to run Exterior.

And since Mr Toledo's untimely death a year later, about 60 senior Vizcaya managers have fled BBV to join Exterior. "Most of them came here at lower salaries," he says.

Staff motivation has been crucial to his plans to reposition the bank in the market and retreat from non-obligatory export credit. He says 60 per cent of his 470 or so branch managers are new. He has won 50,000 new retail account holders this year and, he says, export credits now account for just a quarter of the bank's loan portfolio, compared with 50 per cent when he arrived.

Two things helped: Spain's exports have tailed off but, more importantly, Banco Santander last year broke with tradition and launched Spain's first high interest-bearing current account. It was hugely popular and Exterior, to everyone's surprise, was one of the first to copy the idea.

The new "super" account, Mr Luzon claims, has electrified the branches, dragging staff into the frontline of a big sales drive for retail custom. New clients have, since the beginning of this year, placed Pta126bn in the accounts, half of it new money.

Other banks can boast higher numbers, but the point at Exterior is psychological. Mr Luzon has been lucky: Exterior had no disposable assets so he has had to directly address the core banking business. He has also diverted the bank's large external network into more foreign investment and corporate banking, and set up dozens of motivational committees to deal with profitability, efficiency, customer service and computerisation, among others.

Timing has also helped Mr Luzon. He arrived at Exterior towards the end of a five-year restructuring of the balance sheet. This year, he was able to complete the process. However, pensions still have to be fully provided for and, says one Madrid broker, "we have to wait at least two more years to see whether the overall restructuring has worked".

The diversion of more than 70 per cent of annual cash-flow to provisions and reserves is over. "Our profits can now grow much quicker," says Mr Luzon.

Being state-controlled means markets are often cynical about success and, as the Spanish economy comes off the boil, life will get a little tougher for Mr Luzon. But he, at least, thinks the hard work has been done.

Pulp group tumbles 39%

By Robert Taylor in Stockholm

MODO, Sweden's third largest pulp and paper group, suffered a 39 per cent drop in profits before financial items for the first eight months of 1990, with a fall to SKr784m ($140m) compared with SKr1.277bn for the same period of 1989.

Sales fell marginally to SKr12.21bn from SKr12.37bn, while the profit per share declined to SKr20.20 from SKr31.60. MoDo said it expected its profits for 1990 to be between 35 and 40 per cent lower than the SKr1.715bn achieved in 1989.

Chief executive officer Mr Bernt Löf blamed rising inflation in Sweden and a global fall in demand for pulp and printing paper.

He said MoDo's aim in 1991 was to ensure there was no increase in its Swedish wage costs. Mr Löf said there would be no further investment inside Sweden during the next year because of the unfavourable cost position, the lack of an energy policy and electricity and environmental taxes which were higher than in other countries.

He said the demand for paper and cartons remained good in western Europe, except in Britain, but the market for pulp had weakened with diminished global demand leading to low production volumes and overcapacity.

The company's earnings in pulp sales in its MoDo Cell Kraft division fell to SKr438m compared to SKr1.005bn.

MAN division to expand

By Kevin Done, Motor Industry Correspondent

MAN Nutzfahrzeuge, the commercial vehicles subsidiary of German engineering group MAN, is planning to expand its European medium and heavy truck production capacity by almost 20 per cent by the end of 1992.

The company has transferred part of the assembly of its M90 medium-weight trucks to its Austrian Steyr operations from Germany, and is planning to assemble about 2,000 MAN trucks in Austria in the year ending June 1991.

Mr Wilfried Lochte, chairman of the MAN Nutzfahrzeuge management board, said that the capacity for MAN truck assembly in Austria would be increased to 3,600 a year by July 1991. This would increase the total Steyr assembly capacity (including Steyr trucks) to 6,600 a year.

Following additional investment and the introduction of a second shift, the Steyr capacity could be increased to 10,000 a year by the end of 1992, said Mr Lochte.

Overall, the group's capacity for producing medium and heavy trucks would be increased to 32,000 a year by the end of 1992, from 27,000 at present and 28,000 at the end of this year.

Capital investment was being increased significantly to a total of more than DM1bn ($662m) in the two years 1990-91 and 1991-92, said Mr Lochte.

INTERNATIONAL COMPANIES AND FINANCE

Elliott handed a glass of comfort

Kevin Brown finds Elders relieved as deal with GrandMet wins go-ahead

Mr John Elliott, the chairman of Elders IXL, the Australian brewing conglomerate, has had a hard time at the hands of British corporate regulators, who have twice blocked his attempts to increase Elders' UK market share.

But Mr Elliott may have opened a celebratory tin of Fosters lager on Tuesday after Mr Peter Lilley, the UK trade and industry secretary, opened the way for Elders to conclude a deal with Grand Metropolitan which has become crucial to its future.

Mr Elliott also has a more personal reason to celebrate: if the deal shores up Elders' share price, he will gain time to restructure Harlin Holdings, his debt-laden private company, which owns 56 per cent of Elders but cannot pay the interest charges on its debts.

The deal revolves around a pubs-for-breweries swap in which Courage, Elders' UK brewing subsidiary, would buy Grand Metropolitan's breweries and brand names for £360m ($700m), while both companies would put their pubs into a joint company called Inntrepreneur Estates, to be managed by GrandMet.

Inntrepreneur would then sign a 10-year agreement with Courage for the exclusive supply of beer, effectively increasing Elders' UK market share to about 20 per cent.

After studying a lengthy report from the Monopolies and Mergers Commission, Mr Lilley ruled that the proposed deal was against the public interest, the same grounds on which Elders' attempts to take over Allied Lyons and Scottish and Newcastle Breweries had been rejected.

But Mr Lilley said the deal could go ahead if it was restructured to remove 1,067 pubs from Inntrepreneur by 1992; limit market share to 25 per cent in any single licensing area; reduce the 10-year beer supply agreement to five years, of which only two would be exclusive; and remove Courage's influence over Inntrepreneur licencees to prevent pressure to buy the company's products when the beer supply arrangement ended.

Mr Lilley also added an incentive for the two companies to come to an agreement quickly by stipulating that overall market share must be reduced to 15 per cent unless the deal was closed by November 16.

Few of the conditions pose problems for Elders, which had expected limits to be placed on market share in view of the British government's antipathy to mergers between the UK's big brewers. Elders also knew that the government was unhappy about the exclusive beer supply arrangement between Courage and Inntrepreneur, which ran counter to the government's policy of weakening the historical "tie" between breweries and pubs which restricts public access to beer brands.

Mr Lilley's insistence on a complete break in the tie after five years reduces the value of GrandMet's breweries to Elders, because full access to the Inntrepreneur pubs would be guaranteed for only two years, with reduced access for a further three years.

However, Elders would achieve its principal aim of increasing its UK brewing capacity. One executive said the limit on the beer supply agreement would not block the deal, even though it was an unfair condition which did not apply to Courage's competitors. "We have never been afraid of competition in a free market; it's what we are good at," he said.


John Elliott: good news in UK but trouble still at Harlin

Analysts also said the deal appeared likely to go ahead. "I think it is a very positive announcement for Elders," said Mr Bryan Madden, research director of Prudential Bache Securities. "They [the UK government] have not stopped the deal, they have just put some conditions on it."

The main point will be the extent to which GrandMet is prepared to reduce its price for the breweries. Analysts say about £110m of the purchase price reflects the 10-year beer supply arrangement.

Elders will be under pressure to reach a compromise price because failure would have serious implications for the group's attempts to restructure itself as a pure brewing company, based on its Fosters brand in Australia, Courage and Grand Met in the UK, and its interest in Molson Breweries in Canada.

The restructuring programme is intended to refocus Elders after a decade in which it expanded with mixed success into farming, resources and finance, but the group has had problems selling non-brewing assets and has had to cancel plans for a capital repayment of A$1 per share.

However, the underlying strength of the brewing assets was underlined last month when Elders reported a net loss of A$1.3bn (US$1.02bn) for 1989/90, then an Australian record, after writing off A$1.67bn in abnormal and extraordinary losses. The brewing division, which made a pre-tax profit of A$583m, was the only business to increase profits.

Harlin, also chaired by Mr Elliott, is in breach of some of its loan agreements because of a slide in Elders' share price from a 1990 peak of A$2.44. Harlin's only source of income, the dividend stream from its holding in Elders, is insufficient to pay interest charges on the A$2.9bn debt it took on to finance the takeover.

Harlin has had problems concluding a deal to sell 19.9 per cent of Elders to Asahi Breweries of Japan at A$2.15 per share, but has a revised plan for Asahi to acquire 17 per cent from Harlin and buy the balance on the market.

The sale would reduce Harlin's debt exposure and provide time for restructuring by providing cash for interest payments. Analysts said the UK announcement meant Asahi was unlikely to pull out of the agreement, and its plans to buy shares in the market should help push the share price up.

However, Harlin's debts will continue to outweigh the value of its remaining shares until the price reaches about A$1.90, indicating that it may be some time before Mr Elliott's bid vehicle is out of trouble.

Gengold ahead despite costs rise

By Philip Gawith in Johannesburg

THE 11 gold mines in the South African Gencor group weathered the effects of higher labour and retrenchment costs to improve after-tax income in the September quarter.

Mr Gary Maude, managing director of Gengold, the group's gold division, said it had been a difficult quarter with a number of mines in the "survival phase". Mr Maude repeated his earlier prediction that Gengold could be forced to cut its workforce by up to 10,000 if the gold price stayed at its current low.

Gengold employs 63,625 workers – 4,802 were laid off during the September quarter. Retrenchment costs during the quarter of R11.8m ($4.6m) pushed up working costs as did the 15 to 16 per cent wage rise received by workers. Mr Maude said this comprised about 7 per cent of the 7.6 per cent increase in working costs which the group experienced during the quarter.

Unlike other mining houses, Gengold has not sold any production forward. Mr Maude said that until recently this was due to the group focusing its attention on making its mines as efficient as possible, with those that could not survive being closed.

He said Gengold's mines were now operating near full efficiency and that, were the price opportune, now would be the time to consider hedging.

The mines produced 19,891kg in the period compared with 20,449kg, at a marginally lower gold price of about R31,300/kg against R31,600/kg, making a working income of R95.6m, 34.3 per cent down on the R145.5m of the previous quarter.

Income after tax, however, was 9.5 per cent improved at R117.9m. Capital expenditure of R60.5m was 51.6 per cent up on the previous quarter, but this was distorted by the R16m Stilfontein paid for Buffelsfontein's 20 per cent share in the Chemwes plant.

Mr Maude said he was concerned about the position of Grootvlei which made a working loss of R6.5m in the quarter, against a loss of R1.2m.

Court action against Brierley over holding

THE struggle over the carcass of Ariadne, the Australian company formerly controlled by Mr Bruce Judge, moved on yesterday when Mr Gary Carter's Votraint started a court action alleging a breach of the takeover code by Sir Ron Brierley, the New Zealand entrepreneur, writes Kevin Brown.

Votraint claims that Sir Ron held more than 20 per cent of Ariadne shares without launching a full bid.

Profits slip at Anglovaal mines

By Philip Gawith

THE EFFECT of increased pay and reduced milled tonnages combined to see the four gold mines in the Anglovaal group record lower profits in the September quarter than in the previous three months.

Total taxed profit from the four mines – Hartebeesfontein, Eastern Transvaal Consolidated (ETC), Village Main Reef and Loraine – was lower at R37.9m ($15m) against R47.7m. Only Loraine managed to improve its performance, although it remained in loss. The other three made lower profits than in the previous quarter.

Hartebeesfontein, the group's largest mine, milled 757,000 tons of ore against 789,000, at an unchanged yield of 9.1 grams a ton to produce 6,874kg of gold, compared with 6,996kg. The drop in the milling rate contributed to a 7.2 per cent escalation in unit costs over the previous quarter. After-tax profit was down at R34.5m compared with R38.5m.

ETC's after-tax profit was sharply down at R3.98m against R9.2m, largely as a result of returning to a reduced milling rate following the abnormally high rate of the previous quarter. The mine announced last week a R5.1m exploration programme for metals including nickel.

Village Reef, a surface operation processing old dumps, fell to a nominal profit of R503,000 from R1.2m. It was hit by higher unit costs and a lower rand gold price.

The most encouraging performance came from Loraine which lifted gold production to 1,920kg from 1,801kg, as a result of increasing milled throughput and lifting grades, and reduced costs.

However, offset by a 3.2 per cent decline in the rand gold price, the performance was not good enough to prevent the mine making an after-tax loss of R1.16m against a loss of R1.15m.

All the mines are active in the forward market, with about 30 per cent of production sold through to the third quarter of next year at prices between R33,400 and R33,800 per kg.

INTERNATIONAL CAPITAL MARKETS

Yen's rise against dollar boosts Japanese bonds

By Deborah Hargreaves in London and Karen Zagor in New York

IT WAS a hectic day for the Japanese government bond market yesterday as prices rose to their highest levels since early August.

The buoyant session is the fourth consecutive day of increasing prices in the Japanese market as the yen rose to a stronger value against the US dollar.

At Y125 to the dollar, the yen has reached its highest level since January last year and has pulled government bonds in its wake. The market has broken through the psychological 8 per cent mark in yield for the 119 benchmark bond and yesterday closed in London at a yield of 7.8 per cent.

In Tokyo, the December futures contract rose to a level of 91 from Tuesday's close of 90.30 on a heavy day's turnover of 80,361 lots.

As short-covering continued in the London market amid hectic trading, yields fell further from the Tokyo close.

GOVERNMENT BONDS

However, there is a limit to how far yields can fall in the London market before hitting buy orders which are left in the market by Tokyo players.

■ US Treasuries traded in a narrowly mixed range yesterday as prices came under pressure from unexpected strength in September's industrial production data.

Volume was light, and players expect thin trading to persist until a budget is passed by congress.

In late trading, the treasury's bellwether 30-year bond was quoted ⅛ higher at 98⅜ for a yield of 8.88 per cent after opening on a soft note. Shorter-dated maturities were unchanged at ⅛ lower.

The release of housing data for September presented a mixed picture to the market. Although all the signs pointed to continued weakness in the economy, the 0.6 per cent fall in housing starts was less dramatic than analysts had expected, while the 4.2 per cent fall in building permits was sharper than anticipated.

August's housing starts were revised to show a decline of 1 per cent from a previously-announced fall of 1.7 per cent, while building permits were revised down 3 per cent from a decline of 4.3 per cent.

Furthermore, industrial production increased 0.2 per cent in September, following a gain of 0.1 per cent in August, indicating that the economy might not be as soft as thought.

The dollar rose marginally in reaction to the September housing starts and industrial production data. The recovery, however, was short-lived and by mid-session the dollar was quoted at Y125.60. In late trading it had slid to Y125.25, compared with Y126.79 on Tuesday.

■ IN GERMANY, prices were fixed slightly higher in a day of thin trading which was dominated by technical activity. The price of the 9 per cent 10-year bond was fixed 20 pfennigs higher at 100.06 to yield 8.99 per cent following Tuesday's level of 99.93 which gave a yield of 9.01 per cent.

■ THE UK market for gilt-edged securities has been paralysed by indecision in advance of a speech by Mr John Major, the chancellor, tonight, when he is expected to give some indication of the government's funding policy.

Traders are expecting some hint of a gilts issue or even an issue of Ecu bonds which could form an alternative funding method to gilts.

The market for gilts has been volatile for the past few days, but prices have hardly changed on an intra-day basis. The long gilt futures contract closed at a level of 83.24 after Tuesday's close of 83.25 and a high on the day of 83.28.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	102-26	-	11.81	11.79	12.53
		9.000	03/00	86-01	+01/32	11.48	11.34	11.81
		9.000	10/08	84-12	+11/32	11.01	10.81	11.18
US TREASURY *		8.750	08/00	100-00	-01/32	8.74	8.85	8.89
		8.750	08/20	98-12	+05/32	8.88	9.00	9.04
JAPAN	No 119	4.800	6/99	84.4514	+0.739	7.80	8.17	8.54
	No 129	6.400	03/00	93.9251	+0.773	7.50	7.85	8.16
GERMANY		8.500	08/00	95.5000	+0.150	9.05	9.10	9.04
FRANCE	BTAN	9.000	11/95	95.3365	+0.077	10.21	10.32	10.35
	OAT	8.500	03/00	89.1900	+0.210	10.32	10.50	10.49
CANADA *		10.500	07/00	95.2500	0.450	11.62	11.42	10.82
NETHERLANDS		9.000	10/00	96.8600	+0.040	9.21	9.21	9.20
AUSTRALIA		13.000	07/00	97.9097	-0.053	13.38	13.54	13.52

London close, *denotes New York close. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

Moody's cuts Christiania Bank rating

MOODY'S Investors Service said it had downgraded the senior debt rating of Christiania Bank Og Kreditkasse (CBK), the Norwegian bank, and its rating for long-term deposit obligations, both to A1 from AA3, AP-DJ reports from New York.

About $2bn in securities are affected, according to the rating agency.

It said: "The bank had been placed under review for possible downgrade on August 22 1990 following the announcement that it intended to merge with Realkreditt, a leading mortgage credit institution in Norway.

"Although merger plans have been called off, CBK intends to continue its business relationship with Realkreditt.

"The rating agency's action takes into account the institution's continued high level of credit deterioration, contracting net interest margins, and high overhead costs, resulting in volatile and unpredictable earnings.

"These are expected to strain earnings at a time when capital generation pressures are intense in complying with 1992 capital adequacy requirements. "CBK estimates its current consolidated tier 1 capital ratio to be approximately 3.8 per cent," Moody's added.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 17

U.S. DOLLAR STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS — YEN STRAIGHTS

	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY 5 1/8 95	20000	91¼	91⅝	+¼	7.86
SWEDEN 5 5/8 95	20000	91¼	91⅝	+¼	7.86
WORLD BANK 6 3/4 00	50000	94¾	95⅛	+½	7.52

* No information available - previous day's price

‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Australian stockbroker to cut back operations

By Kevin Brown in Sydney

JARDINE Fleming Australia Securities yesterday became the latest in a series of stockbrokers to rationalise its operations in the face of falling income and severe overcapacity in the industry.

Jardine said it was closing its loss-making research and broking services from Friday, but would continue to provide services to private clients. The two divisions employ 45 staff, but not all will lose their jobs.

Mr Christopher Grubb, managing director, said the move reflected the slowdown of the Australian economy over the past year, and the fall in revenue caused by overcapacity.

"It is simply a question of profit and loss. We are in an industry which in the past two years has been going through a few rough patches. Our view is that it is not worthwhile persevering with the services in question when we have got other things we think will work much better for us," he said.

Mr Grubb said Jardine would remain a member of the Australian Stock Exchange and would try to expand its broking services in Asian securities to Australian clients.

Other firms which have rationalised operations this year include ANZ McCaughan and the State Bank of New South Wales. Several firms have closed, including A.C. Goode, formerly a subsidiary of National Australia Bank, and BNZ North, formerly a subsidiary of Bank of New Zealand.

The Australian Stock Exchange warned in its annual report recently that overcapacity in the broking industry was likely to continue for some time, despite falling activity in the markets. Employment in broking organisations fell from 6,731 to 5,358 last year.

Securities houses offer to support Taiwan market

By John Wickenden in Taipei

TAIPEI'S hard-hit securities houses yesterday presented the Finance Ministry with a radical plan to use their own guarantee funds to pump liquidity back into the sliding stock market.

Securities houses are required to deposit guarantee funds of about $2m with the Bank of Taiwan and the Taiwanese Security and Exchange Commission.

The funds are kept in the form of cash and bonds to provide operating liquidity, cover for stock purchase defaults and to pay the SEC a slice of stock handling fees.

Over breakfast with Mr Wang Chien-Hsien, finance minister, representatives of the Taipei Securities Dealers' Association asked to be allowed to tip these funds, which may total about $2.5bn, into the stock market.

They proposed that the funds be pooled and managed by a special institution which would buy blue-chip stocks at low prices and invest long-term.

The ministry said Mr Wang expressed qualified approval of the idea and that the association could study it further.

BZW arm sets up Asian funds

BARCLAYS de Zoete Wedd Investment Management yesterday unveiled a set of seven single-country mutual funds devoted to Asian stock markets, AP-DJ reports from Hong Kong.

The funds, aimed at individual and institutional investors, are to focus on Hong Kong, Malaysia, Thailand, Indonesia, Singapore, South Korea and the Philippines.

Mr Roger Pyrke, Hong Kong regional director of Barclays International Fund Managers, said the timing of the funds might not be good in marketing terms, but he argued that investors could buy into the respective markets at prices that were 20 to 30 per cent lower than before the Gulf crisis.

Unit trust for Jakarta planned

PT DANAREKSA, Indonesia's state underwriter, plans a Rs50bn unit trust which will invest in the Jakarta stock market, Reuter reports from Jakarta.

Certificates will be sold to domestic investors through state banks at Rs10,000 each by the end of this month.

Danareksa said it would take advantage of the current downturn in the market by using fresh funds to buy shares at lower prices.

INTERNATIONAL CAPITAL MARKETS

World Bank Y50bn issue surprises with short term

By Simon London

FIVE substantial deals from well-known, highly-rated names yesterday contributed to an active day on the international bond market after two days of deadly calm.

INTERNATIONAL BONDS

In the yen sector, the World Bank surprised some observers with a five-year deal through Daiwa Europe, rather than the 10-year maturity predicted.

However, the Y50bn 7⅝ per cent issue, seen as a potential benchmark in the sector, was reported to be selling well to a range of institutional and retail clients. Launched at 101.55, the majority of business was done at about less 1.40 bid, yielding 7.60 per cent.

In the secondary market, yen bond yields have fallen by around 20 basis points at the five-year maturity over the last week. The strength of the yen on the foreign exchange markets over the last few days has stimulated some renewed demand for yen assets.

Late in the day, Finnish Export Credit took advantage of these factors to launch a Y25bn two-year deal through Nomura International. The deal stands out in the two-year area for having an 8 per cent coupon, against 6 to 6½ per cent on the majority of comparable paper. With a launch price of 101.075, the deal offered a yield of 8.09 per cent at full fees, against 7.80-7.90 per cent on lower coupon deals in the secondary market.

In the dollar sector, the European Investment Bank came with a $300m seven-year deal via Warburg Securities. The block trade was wholly underwritten by S.G. Warburg as sole lead manager, offering a 10 cents concession to the selling group.

At the issue price of 99.46, the 9.25 per cent coupon offered a yield of 52 basis points over equivalent US Treasury stock. This compares to a 48 basis-point spread over Treasuries on EIB's existing seven-year dollar deal in the secondary market.

There was some resistance to the EIB deal from dollar investors focusing on shorter maturity paper in current turbulent market conditions. However, this did not prevent Japan Highway Corporation coming with a deal further up the yield curve.

The $190m 10-year deal through LTCB International was launched at 101⅞ and traded at 99.75 bid, within full fees of 2 per cent. At launch price the paper offered a yield of 60 basis points over comparable US Treasury stock, although it quickly moved to a spread of 55 basis points.

The second sizeable French franc issue of the week came from IBM International Finance, with a FFr750m three-year deal via Credit Commercial de France. The paper carries a coupon of 10½ per cent and was priced at 101⅛ for a yield of 10.50 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB(a)◆	300	9¼	99.46	1997	10bp	SG Warburg Secs.
Japan Highway Pub.Corp(a)◆	190	9½	101⅞	2000	2/1⅛	LTCB Int.
Mizuno Corp(b)◆◆	100	4¾	100	1994	2¼/1⅛	Nomura Int.
D-MARKS						
Mizuno Corp(c)◆◆	70	5	100	1994	2¼/1½	Nikko Secs.GmbH
FRENCH FRANCS						
IBM Int.Finance NV(a)◆	750	10½	101⅛	1993	1⅞/⅞	CCF
YEN						
World Bank(a)◆	50bn	7⅝	101.55	1995	1⅞/1⅛	Daiwa Europe
Finnish Export Cr.(a)◆	25bn	8	101.075	1992	1⅛/⅝	Nomura Int.
Abbey National(a)★★◆	15bn	8	101¼	1994	1⅞/⅞	Daiwa Europe

★★Private placement. §Convertible. ◆With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon was indicated at 5⅛%. Exercise premium fixed at 2.63%. Non-callable. c) Coupon was indicated at 5¼%. Exercise premium fixed at 2.83%. Non-callable.

Amex plans to trade EOE index derivatives

By Ronald van de Krol in Amsterdam

THE European Options Exchange (EOE) said yesterday that the American Stock Exchange (Amex) in New York would soon begin trading derivative products based on the EOE's new European stock market index, the Euro Top 100 Index.

The EOE, which vies with the London Traded Options Market for the position of being the leading options exchange outside the US, hailed the agreement with Amex as a sign that its index, which was introduced in July, was winning international recognition.

The Amsterdam exchange is also discussing the use of the index with other stock markets.

So far, no products based on the Amsterdam index have been launched.

An EOE representative said New York trading in products based on the EOE exchange could begin by the end of the year. The move must still be approved by the Securities and Exchange Commission in Washington.

Last week, London's International Stock Exchange also unveiled a real-time stock market index for continental European stocks, called the FT-SE Eurotrack 100, which is scheduled to go "live" on October 29.

However, there are significant differences between the two indices. For instance, the EOE's index, which covers the UK as well as the continent, is calculated in Ecus, while the London index is calculated in D-Marks.

The London index is based on share prices of non-UK companies as quoted on Seaq International, the exchange's international marketplace. The Amsterdam index uses the share prices prevailing on the domestic bourses where the various stocks are traded.

The agreement with Amex is the latest partnership between the New York and Amsterdam exchanges. In 1987, the EOE launched options based on Amex's Major Market Index, a basket of 20 blue-chip US stocks.

Gilts traders seek a silver lining

Peter Marsh and Deborah Hargreaves report on a likely UK issue

Traders in gilt-edged securities are hoping that issues over the next few months will lift the fortunes of their sector and end a period of intense bickering among the main participants over allegations of unfair commercial practices.

Mr John Major, the chancellor, is widely expected to hint in his Mansion House speech this evening that the government may soon issue gilts as a way of financing public spending.

Gilts, which provide a simple way for the government to borrow money from the private sector, have not been issued for the past two years because the Treasury has run a surplus on its public-sector financing.

Until recently, the government had hoped for a surplus of £7bn ($13.7bn) on its public spending programme for this financial year. This looks likely to be revised over the next few weeks down to about £3bn, partly due to higher than expected spending and also to lower tax receipts as a result of the economic slowdown.

As for next year, state spending is likely to top the government's £192bn target by at least £5bn. That has led the *gilt-edged market to expect* that a gilts issue totalling at least £4bn or so over the next year may be called for.

Some of the new gilts could be denominated in Ecus, as a way of encouraging more non-UK investors to buy gilts now that sterling is in the European exchange rate mechanism.

Any news of gilts issues will be welcomed by the main traders and market makers in the bonds. For much of the past two years, these groups have suffered thin trading and made only meagre profits.

The main participants in the sector are the 19 banks granted a licence by the Bank of England to make markets in the bonds, effecting transactions largely with big financial institutions.

The market would widely welcome any issues

Gilts date to 1694, making them among the world's oldest financial instruments. In the gilt-edged market, about £2bn worth of the securities change hands every day between marketmakers and customers.

The biggest marketmakers include leading investment banks such as Midland Montagu, UBS Phillips & Drew, Warburg Securities and Barclays de Zoete Wedd.

Many of the marketmakers were drawn into the industry after the deregulation of the UK's financial services business in 1986, known as Big Bang.

However, the lack of issues from the government and heavy competition between the main traders, have depressed profitability.

Between 1986 and the end of 1989, marketmakers in gilts between them lost £200m. Some of the hardest hit pulled out of gilts, while others trimmed staff. In the past two years, a number of the groups have clawed their way back to make small profits.

Over this period, the industry has been split by allegations from some of the larger marketmakers. They have complained to the Bank that some of the smaller groups are failing to make a proper market — quoting two-way prices on which the marketmaker is committed to deal — across the *full range of 100 or so types of gilts.*

Such an approach would contravene the Bank's rules. It would lead to marketmakers quoting prices only for popular securities in which they are virtually guaranteed to make a profit.

Although the complaints are refuted by many of the smaller marketmakers and also by the Bank, gilt industry insiders say that allegations of this kind are extremely difficult to prove. Mr George Nissen, chairman of the *Gilt-Edged Market Makers'* Association, said the complaints might die away if new gilts issues led trading volumes to increase. "When turnover is low, it gives people an excuse to moan," he said.

Assuming the Bank does break the market's doldrums with an early sale of gilts, it will mean many of the marketmakers having to dust off their manuals on auction protocol, since many have only a distant and hazy idea of the Bank's rules. Some newcomers to the market have never experienced a gilts sale.

Many market-watchers predict a sale of new stock early next year. There is a big gilts redemption scheduled for January 10 1991, when the government calls in an issue of £2.2bn of debt maturing in 1991 and carrying a coupon of 11¾ per cent. This will provide a large influx of liquidity for the holders of this issue that the government might want to tap for re-investment in a new security.

Given the Bank's innate caution about any policy change, it is likely to tap the short end of the market at first, with perhaps a 3-4 year tender of £1bn in stock.

The prospect of an issue is viewed with some ambiguity by market traders, since new supply can often depress prices. Yet it should give these traders more to do.

"We used to get quite excited about taps when there was one a month," one young trader said. "After two years, there will be some celebrating."

For an auction of new stock, the Bank is required to give a month's notice of the general terms of the issue and it must announce specific details a week before the sale takes place.

However, if it uses the more old-fashioned tender route setting a minimum price for accepted bids, the Bank will just announce the sale at 3.30pm one Friday and expect bids from marketmakers by *the following Wednesday.*

Danish telecom holders plan to force suit

MINORITY shareholders in Denmark's two largest telephone companies are planning to utilise a clause in the Companies Act to force the companies to sue the state, their majority shareholder, writes Hilary Barnes in Copenhagen.

Minority shareholders, including several foreign investors, hope to force the state to pay a fair price for their shares under major reorganisation and partial privatisation plans.

They claim to have accumulated enough votes to demand an extraordinary meeting in the two companies, Copenhagen Telephone (KTAS) and Jutland Telephone (JT).

The affair has its origins in 1922, when the state and the companies agreed that the state would redeem shares held by private shareholders at a price of DKr125 per share, a commitment reaffirmed in 1962. This price, however, no longer reflects the real value of the companies.

The shares are currently trading at between DKr300 and DKr400, a price which reflects hopes that the state will be forced to pay more than DKr125 for the shares.

Gerrard & National offshoot expands into Germany

By Katharine Campbell in Frankfurt

GNI, the derivatives broking arm of UK discount house Gerrard & National, is expanding its operation into Germany after last year forming a joint venture company in Paris.

Among the largest broking operations on the London International Financial Futures Exchange, GNI will initially concentrate on broking German "bund" futures to Frankfurt banks, domestic and foreign, through its new unit.

However, there are no plans to become a member of the Deutsche Terminbörse, the local electronic options exchange that will shortly be competing with London in bund futures. "We have an open mind," says Mr Anthony Norton, a GNI director. "But we have to reflect the trading preferences of our customers."

He adds that the high capital requirements for membership of the DTB both deter potential non-bank members and constitute an inadequate regulatory mechanism compared with the prudential monitoring systems in place at Liffe and its member institutions.

"European derivatives exchanges will have to start competing more actively for members in terms of cost effectiveness and efficiency," he predicts.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Wed Oct 17 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Oct 16 Index No.	Mon Oct 15 Index No.	Fri Oct 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (196)	703.02	−0.8	15.80	6.76	7.74	31.33	708.83	712.99	710.48	867.11
2	Building Materials (26)	959.65	−0.8	15.28	6.35	8.05	39.70	967.16	969.29	965.19	1007.15
3	Contracting, Construction (35)	1145.02	−0.7	17.74	6.96	7.36	56.07	1153.04	1161.97	1160.22	1368.02
4	Electricals (10)	1863.41	−0.9	15.09	7.22	8.11	84.91	1880.63	1901.39	1879.75	2543.74
5	Electronics (26)	1557.66	+0.6	10.81	5.50	12.64	56.74	1547.68	1562.51	1543.70	1923.48
6	Engineering–Aerospace (8)	407.75	−0.4	16.53	5.92	7.27	15.17	409.20	406.97	407.04	0.00
7	Engineering–General (47)	363.95	−0.5	16.46	7.13	7.30	16.85	365.66	364.99	365.56	0.00
8	Metals and Metal Forming (8)	398.55	−1.7	28.59	8.38	4.26	17.02	405.38	407.05	405.99	451.38
9	Motors (13)	268.41	−2.0	19.04	8.84	6.11	14.41	273.92	275.03	274.07	347.33
10	Other Industrial Materials (23)	1156.96	−1.7	14.55	7.05	7.94	60.14	1177.02	1191.92	1191.10	1624.68
21	CONSUMER GROUP (176)	1185.63	−0.2	10.42	4.36	11.85	30.57	1188.21	1194.94	1189.31	1230.65
22	Brewers and Distillers (22)	1480.70	+0.2	10.56	3.99	11.47	33.61	1477.13	1487.78	1483.23	1418.92
25	Food Manufacturing (18)	1002.16	−1.0	11.58	4.07	10.64	28.13	1011.81	1014.18	1012.28	1093.28
26	Food Retailing (17)	2338.06	−0.1	10.21	3.57	12.48	50.02	2340.44	2350.33	2346.45	2288.13
27	Health and Household (16)	2366.27	−0.4	7.47	3.14	15.82	48.83	2376.25	2396.91	2377.35	2386.36
29	Leisure (32)	1188.06	−0.4	12.61	5.46	9.60	39.79	1192.32	1208.15	1205.90	1582.86
31	Packaging & Paper (12)	485.71	−0.3	13.25	7.17	9.27	22.95	487.33	486.53	486.17	530.10
32	Publishing & Printing (14)	2821.20	+0.7	12.72	6.64	9.85	124.64	2802.25	2792.31	2764.54	3442.76
34	Stores (33)	806.67	−0.1	10.92	4.57	11.91	18.58	807.60	810.03	805.18	753.35
35	Textiles (12)	407.51	−0.5	14.65	8.71	8.66	20.31	409.42	408.65	407.25	507.41
40	OTHER GROUPS (107)	954.41	−1.2	13.24	6.15	9.16	32.00	966.27	976.43	973.55	1106.29
41	Agencies (16)	1010.83	−1.7	10.50	3.29	11.53	22.25	1028.19	1042.80	1017.96	1465.10
42	Chemicals (24)	988.20	−0.7	13.44	6.75	8.79	46.81	995.19	1000.56	989.93	1200.79
43	Conglomerates (15)	1290.15	−1.8	13.16	7.76	9.16	38.45	1313.39	1327.58	1311.91	1569.06
44	Transport (14)	1830.93	−1.6	13.26	5.73	9.55	65.20	1859.95	1882.29	1883.42	2131.38
46	Telephone Networks(3)	1054.88	−1.7	12.40	5.18	10.50	26.09	1072.94	1084.94	1087.20	1099.48
47	Water(10)	1931.95	+0.4	15.75	7.01	7.15	68.12	1925.03	1935.04	1964.67	0.00
48	Miscellaneous (25)	1457.73	−0.7	14.37	6.18	7.99	61.49	1467.38	1488.53	1494.06	1791.00
49	INDUSTRIAL GROUP (479)	997.16	−0.7	12.46	5.43	9.82	32.22	1003.78	1011.00	1007.05	1115.43
51	Oil & Gas (21)	2296.64	−1.0	9.74	5.44	13.40	85.44	2320.20	2347.13	2376.76	2153.05
59	500 SHARE INDEX (500)	1103.51	−0.7	12.04	5.43	10.25	36.51	1111.46	1120.23	1118.78	1202.54
61	FINANCIAL GROUP (103)	688.08	−0.4	–	6.91	–	31.79	690.56	691.59	691.19	736.94
62	Banks (9)	733.85	−0.6	22.30	7.85	5.87	42.00	738.30	736.93	733.09	742.20
65	Insurance (Life) (7)	1301.96	−1.2	–	5.90	–	54.97	1318.24	1318.71	1311.69	1187.20
66	Insurance (Composite) (6)	596.90	+0.4	–	7.11	–	27.35	594.65	599.52	606.33	626.72
67	Insurance (Brokers) (8)	809.70	+1.5	9.33	7.93	14.01	41.94	797.66	789.70	787.35	1001.08
68	Merchant Banks (7)	344.08	−0.2	–	5.95	–	12.75	344.87	349.90	354.73	391.55
69	Property (45)	921.54	−0.4	8.20	5.28	16.11	25.08	925.22	927.65	926.43	1143.43
70	Other Financial (21)	245.20	....	11.59	7.12	11.09	11.62	245.06	245.55	245.60	320.90
71	Investment Trusts (66)	991.08	−0.4	–	3.98	–	25.03	995.18	988.23	985.15	1160.54
91	Overseas Traders (5)	1109.68	+0.1	12.89	8.33	9.24	59.65	1108.21	1129.13	1129.11	1266.62
99	ALL-SHARE INDEX (674)	1001.31	−0.7	–	5.62	–	34.93	1007.88	1014.56	1013.31	1089.30

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 16	Oct 15	Oct 12	Oct 11	Oct 10	Year ago
FT-SE 100 SHARE INDEX‡	2068.0	−15.6	2076.6	2061.0	2083.6	2101.9	2100.4	2102.2	2121.8	2170.1

FIXED INTEREST

	PRICE INDICES	Wed Oct 17	Day's change %	Tue Oct 16	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	117.64	+0.15	117.71	0.24	10.24
2	5-15 years	121.82	+0.41	121.32	–	11.95
3	Over 15 years	123.44	+0.60	122.71	–	9.84
4	Irredeemables	141.89	+0.29	141.48	–	8.85
5	All stocks	122.43	+0.33	122.12	0.09	11.27
	Index-Linked					
6	Up to 5 years	154.05	−0.05	154.13	–	3.04
7	Over 5 years	137.35	−0.29	137.75	–	3.45
8	All stocks	138.50	−0.27	138.87	–	3.42
9	Debentures & Loans	101.93	+0.10	101.83	–	9.20
10	Preference	73.02	+0.03	72.99	–	5.33

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 17	Tue Oct 16	Year ago (approx.)
	British Government				
1	Low	5 years	10.63	10.68	10.09
2	Coupons	15 years	10.88	10.96	9.54
3		25 years	10.88	10.96	9.46
4	Medium	5 years	11.57	11.64	11.01
5	Coupons	15 years	11.32	11.39	9.95
6		25 years	11.17	11.23	9.58
7	High	5 years	11.67	11.74	11.12
8	Coupons	15 years	11.54	11.61	10.18
9		25 years	11.44	11.50	9.74
10	Irredeemables†		11.03	11.06	9.52
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.28	4.24	3.94
12	Inflation rate 5%	Over 5 yrs.	4.43	4.41	3.68
13	Inflation rate 10%	Up to 5 yrs.	2.98	2.95	3.05
14	Inflation rate 10%	Over 5 yrs.	4.23	4.21	3.50
15	Debs &	5 years	13.42	13.90	13.56
16	Loans	15 years	12.79	12.83	12.23
17		25 years	12.42	12.40	11.72
18	Preference†		12.99	12.99	10.61

‡Opening index 2072.8; 9 am 2067.9; 10 am 2071.7; 11 am 2073.7; Noon 2068.9; 1 pm 2062.3; 2 pm 2061.1; 2.30 pm 2062.3; 3 pm 2064.2; 4.10 pm 2066.5; (a) 11.09am (b) 1.45pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	6	13
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	180	450	930
Financial and Properties	109	169	463
Oils	10	42	37
Plantations	0	1	9
Mines	16	38	101
Others	26	101	89
Totals	420	807	1,658

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Covd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct. 15
- Last Dealings Oct. 26
- Last Declarations Jan. 24
- For settlement Feb. 4

For rate indications see end of London Share Service. Calls: ADT, Brent Walker, Gaelic Res.

LONDON TRADED OPTIONS

THE EXPIRY of October traded options lifted turnover in the market yesterday. In the futures market a late squeeze pushed prices off their lows.

A total of 43,181 options changed hands, up by just less than a third, and this was due mostly to expiry-related activity. Yesterday's total was evenly divided between calls and puts.

The busiest stock option was BP as one broker bought 1,800 October 390 calls. The January 330 puts were also popular. Aside from expiry business, Kleinwort Benson's sale of its 137m shares in Premier sparked interest in oil stocks. *BP* traded 3,419 contracts, most of which were calls.

Next on the list was Trusthouse Forte, which traded 2,350 contracts. Calls accounted for 1,200 and puts 1,150. The most popular series was the March 220 puts.

Cable & Wireless was the third busiest stock option and traded 1,691 contracts. This was divided between 1,079 calls and 612 puts. October 390 calls were busiest.

Other larger trades included the sale of 500 Ladbroke January 260 puts. Another house bought 800 Hanson November 220 puts, while another trade included the sale of 350 Shell January 460 puts and the purchase of October 460 Shell puts.

The most active contract was the FT-SE 100 index. It traded 8,251, of which 5,474 were puts and 2,777 were calls. The December 2,100 puts were the most active, trading 1,455.

In the futures market prices drifted down during the morning on light selling. The decline was accelerated after one house sold futures and bought December 2,100 puts. However, the losses were pared after a late squeeze.

The December FT-SE index closed at 2,118, down 5 points on the day. Its premium over the cash index finished at 52 points, slightly above fair value, estimated at 45 points.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*470)	420	52	65	80	1	6½	13
	460	12	37	53	1½	17½	27
	500	1	19	33	32	42	46
ASDA (*128)	110	18½	25	28	1	3	4½
	120	8½	17	21	1	5	10
	130	1	11	15	3	9½	14
Brit. Airways (*135)	130	–	17	21	–	10	13
	140	1	10	14	7	16	18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Trafalgar (*188)	160	31	38	40	1	8	11
	180	11	25	28	3	19	24
	200	1	10	17	14	28	33
Utd. Biscuits (*327)	300	18	35	42	1	8	14
	330	1	17	24	15	22	27
	360	1	6	14	45	45	46
Unilever (*638)	600	40	67	87	½	17	25
	650	2	37	57	17	40	47
	700	1	18	34	67	73	77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*217)	200	25	34	37	4	10	12
	220	12	19	23	10	17	19
Amstrad (*63)	60	7	10½	14	4½	8	9
	70	2½	6	9½	10	13	14
Barclays (*355)	330	42	60	60	10	16	22
	360	25	–	–	19	–	–
Blue Circle (*211)	200	23	32	34	5½	12	16
	220	12	22	24	18	21	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2067)

[illegible]	[illegible]

هكذا من الأصل

Gengold

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 SEPTEMBER 1990

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/23412/06

Restructuring continues

Issued capital – 13 082 930 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Mined (m²)	[illegible]	[illegible]	[illegible]
Ore milled – underground (t)	271 000	217 000	719 000
– surface dumps (t)	[illegible]	238 000	716 000
– total (t)	530 000	455 000	1 435 000
Yield – underground (g/t)	3,6	4,0	3,7
– surface dumps (g/t)	0,8	1,0	0,9
– combined (g/t)	1,9	2,4	2,3
Gold produced (kg)	1 031	1 100	3 285
Working revenue (R/kg)	31 564	31 365	32 259
Working costs (R/kg)	35 418	34 849	34 627
(R/t milled)	68,90	84,25	79,27
Working income/(loss) (R/kg)	(3 854)	(3 483)	(2 368)
Gold price received (R/kg)	31 657	31 292	32 211
($/oz)	385	384	398

FINANCIAL RESULTS (R'000)			
Working revenue	32 542	34 503	105 971
Working costs	36 516	38 334	113 751
Working income/(loss)	(3 974)	(3 831)	(7 780)
Additional development V.C.R.	844	–	944
Sundry income – net	15 389	1 983	21 709
Tribute payments – net	919	333	1 995
Income/(loss) before taxation and State's share of income	10 552	(2 181)	10 990
Taxation and State's share of income	259	(1 243)	322
Income/(loss) after taxation and State's share of income	10 293	(938)	10 668
Capital expenditure	10 195	734	9 391
Dividend declared	–	1 308	1 308

DEVELOPMENT	Quarter ended 30.9.1990 Vaal Reef	V.C.R.	Quarter ended 30.6.1990 Vaal Reef	V.C.R.	9 months ended 30.9.1990 Vaal Reef	V.C.R.
Advanced (m)	–	883	–	1 871	303	4 231
Advanced on reef (m)	–	439	–	673	41	1 700
Sampled (m)	–	445	–	580	30	1 665
Channel width (cm)	–	81	–	67	12	56
Average value – gold (g/t)	–	6,5	–	4,7	90,2	5,8
– (cm.g/t)	–	382	–	317	1 065	328
– uranium (kg/t)	–	0,132	–	0,099	1,594	0,121
– (cm.kg/t)	–	7,98	–	6,89	18,65	6,74

REMARKS
- Estimated capital expenditure for the next six months – R1,1 million.
- Retrenchment costs of R2,2 million are included in working costs.
- Included in sundry income is an amount of R15 million being a dividend received from Chemwes Limited, now a wholly-owned subsidiary. As previously announced the company acquired Buffelsfontein's 20% interest in Chemwes for R10 million. This amount is included in capital expenditure.
- Working costs will be reduced further during the next quarter.

Chemwes Limited

Company Registration No. 64/02378/06
(A subsidiary of Stilfontein Gold Mining Company Limited)

Issued capital – 1 000 shares of R1 each.

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Net income after taxation	823	813	2 972
Capital recoupment	5	–	122

BRACKEN Mines Limited

Company Registration No. 59/01128/06

Good performance

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	Year ended 30.9.1990
Mined (m²)	30 288	32 849	143 458
Ore milled (t)	112 000	133 000	530 000
Yield (g/t)	4,5	3,8	3,9
Gold produced (kg)	503	503	2 058
Working revenue (R/kg)	32 354	35 905	34 691
Working costs (R/kg)	31 302	31 604	31 310
(R/t milled)	140,58	119,59	121,48
Working income (R/kg)	1 052	4 301	3 381
Gold price received (R/kg)	31 705	31 391	32 410
($/oz)	380	370	387

FINANCIAL RESULTS (R'000)			
Working revenue	16 274	18 080	71 324
Working costs	15 745	15 897	64 373
Working income	529	2 183	6 951
Sundry income – net	1 872	1 153	4 850
Tribute and royalty payments – net	–	–	18
Income before taxation and State's share of income	3 501	3 316	11 783
Taxation and State's share of income	(406)	1 535	3 649
Income after taxation and State's share of income	2 907	1 781	8 134
Capital expenditure/(recoupment)	165	107	(804)
Dividend declared	3 500	–	7 700

DEVELOPMENT – Kimberley Reef			
Advanced (m)	637	532	2 117
Advanced on reef (m)	184	18	416
Sampled (m)	181	15	403
Channel width (cm)	20	16	24
Average value – gold (g/t)	19,5	10,9	31,5
– (cm.g/t)	390	174	759

REMARKS
- Estimated capital expenditure for the next six months – R1,0 million.
- Final dividend No. 56 of 25 cents per share was declared.
- Included in sundry income is an amount of R1,0 million, being a dividend received from Evander Township Limited.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02069/06

Operations disrupted

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Mined (m²)	31 888	37 944	110 626
Ore milled – underground (t)	116 000	157 000	439 000
– surface dumps (t)	1 000	–	9 000
– total (t)	117 000	157 000	448 000
Yield – underground (g/t)	4,4	4,3	4,2
– surface dumps (g/t)	1,0	–	0,8
– combined (g/t)	4,3	4,3	4,1
Gold produced (kg)	507	667	1 836
Working revenue (R/kg)	31 292	31 675	32 428
Working costs (R/kg)	44 049	33 471	36 389
(R/t milled)	190,88	142,20	149,13
Working income/(loss) (R/kg)	(12 757)	(1 796)	(3 961)
Gold price received (R/kg)	30 989	31 613	32 281
($/oz)	384	372	395

FINANCIAL RESULTS (R'000)			
Working revenue	15 865	21 127	59 538
Working costs	22 333	22 325	66 810
Working income/(loss)	(6 468)	(1 198)	(7 272)
Sundry income – net	1 834	2 587	7 805
Tribute receipts – net	357	263	767
Income before taxation and State's share of income	(4 277)	1 652	1 300
Taxation and State's share of income	(1 788)	208	153
Income after taxation and State's share of income	(2 489)	1 444	1 147
Capital expenditure	251	142	74
Dividend declared	–	2 860	2 860

DEVELOPMENT	Quarter ended 30.9.1990 Black Reef	Kimberley Reef	Quarter ended 30.6.1990 Black Reef	Kimberley Reef	9 months ended 30.9.1990 Black Reef	Kimberley Reef
Advanced (m)	271	1 738	186	2 241	719	6 431
Advanced on reef (m)	179	958	74	1 134	404	3 352
Sampled (m)	174	814	70	1 117	378	3 262
Channel width (cm)	102	13	130	16	98	15
Average value – gold (g/t)	17,1	31,9	9,1	29,1	12,2	30,7
– (cm.g/t)	1 742	424	1 180	465	1 200	461

REMARKS
- Estimated capital expenditure for the next six months – R0,5 million.
- The working loss was exacerbated by a strike which lasted one week.
- Retrenchment costs of R1,8 million are included in working costs.
- Further cost reductions are planned to restore profitability.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/23334/06

Gold price forces restructuring

Issued capital – 11 000 000 ordinary shares of R1 each.
– 15 299 000 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990
Gold		
Mined (m²)	133 478	128 883
Ore milled (t)	569 000	569 000
Yield (g/t)	5,6	6,0
Gold produced (kg)	3 206	3 398
Working revenue (R/kg)	31 882	31 312
Working costs (R/kg)	31 825	29 736
(R/t milled)	179,88	161,67
Working income/(loss) (R/kg)	[illegible]	[illegible]
Gold price received (R/kg)	31 869	31 253
($/oz)	377	387
Uranium		
Pulp treated (t)	569 000	596 000
Oxide produced (t)	78	79
Yield (kg/t)	0,14	0,13

FINANCIAL RESULTS (R'000)		
Gold – Working revenue	101 903	112 398
– Working costs	102 351	[illegible]
– Working income/(loss)	(748)	[illegible]
Uranium – Working income/(loss)	(217)	(542)
Sundry income – net	15 429	8 378
Tribute payment – net	587	2 197
Income before taxation and State's share of income	13 895	19 819
Taxation and State's share of income	[illegible]	[illegible]
Share of income – Beatrix mine	1 884	[illegible]
Income after taxation and State's share of income	15 412	19 887
Capital expenditure	1 409	2 452
Dividends declared – ordinary shares	–	37 400
– preference shares	8 000	10 000

DEVELOPMENT – Vaal Reef and limited 'C' Reef		
Advanced (m)	[illegible]	5 540
Advanced on reef (m)	382	380
Sampled (m)	384	330
Channel width (cm)	73	95
Average value		
– gold (g/t)	13,0	10,0
– (cm.g/t)	937	920
– uranium (kg/t)	0,435	0,370
– (cm.kg/t)	31,44	34,86

REMARKS
- Estimated capital expenditure for the next six months – R3,0 million.
- Sundry income includes R10 million being proceeds from the sale of the company's 20% holding in Chemwes.
- Regrettably, 987 employees were retrenched during the quarter. Retrenchment costs of R1,8 million, included in working costs, contributed to the working loss.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Gold production rate maintained

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990
Mined (m²)	124 829	113 568
Ore milled (t)	528 000	528 000
Yield (g/t)	6,1	6,2
Gold produced (kg)	3 228	3 271
Working revenue (R/kg)	31 657	31 514
Working costs (R/kg)	21 624	20 024
(R/t milled)	132,06	124,05
Working income (R/kg)	10 033	11 490
Gold price received (R/kg)	31 632	31 486
($/oz)	379	386

FINANCIAL RESULTS (R'000)		
Working revenue	102 083	103 081
Working costs	69 739	65 497
Working income	32 344	37 584
Sundry income – net	3 143	4 790
Royalty payments – Beatrix Mines Limited	15 314	15 462
Income before taxation	20 183	26 912
Provision for taxation	5 206	9 896
Income after taxation	14 977	17 016
Capital appropriation	5 019	5 340
Dividends on preference shares	8 000	10 000

DEVELOPMENT – Beatrix Reef		
Advanced (m)	9 817	9 301
Advanced on reef (m)	2 469	2 687
Sampled (m)	2 420	2 495
Channel width (cm)	88	60
Average value – gold (g/t)	8,7	13,9
– (cm.g/t)	661	831

REMARKS
- Estimated capital expenditure for the next six months – R11 million.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this edition.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01978/06

Profitability restored

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Mined (m²)	28 105	24 361	79 654
Ore milled – underground (t)	90 000	89 000	273 000
– surface dumps (t)	123 000	130 000	376 000
– total (t)	213 000	219 000	649 000
Yield – underground (g/t)	6,8	5,2	5,3
– surface dumps (g/t)	0,5	0,5	0,5
– combined (g/t)	2,7	2,4	2,5
Gold produced (kg)	570	526	1 626
Working revenue (R/kg)	31 903	31 323	32 276
Working costs (R/kg)	31 105	32 401	31 862
(R/t milled)	83,24	77,82	79,83
Working income/(loss) (R/kg)	798	(1 078)	414
Gold price received (R/kg)	31 863	31 258	32 228
($/oz)	384	383	385

FINANCIAL RESULTS (R'000)			
Working revenue	18 185	16 476	52 480
Working costs	17 730	17 043	51 807
Working income/(loss)	455	(567)	673
Sundry income – net	1 418	1 369	4 538
Tribute and royalty payments – net	645	350	1 090
Income before taxation	1 228	452	4 121
Taxation	588	350	1 759
Income after taxation	640	102	2 362
Capital expenditure/(recoupment)	(694)	(419)	(2 249)
Dividend declared	–	1 133	1 133

DEVELOPMENT			
Advanced (m)	1 142	1 147	3 167
Advanced on reef (m)	782	932	2 414
Sampled (m)	771	855	2 310
Channel width (cm)	57	58	72
Average value – gold (g/t)	17,2	33,8	23,8
– (cm.g/t)	978	1 962	1 717

REMARKS
- Estimated capital expenditure for the next six months – Nil.

WELTEVREDEN Mines Limited

Company Registration No. 71/14467/06

Satisfactory progress

Issued capital – 5 000 000 shares of 1 cent each.

PROJECT PROGRESS
- Sinking of the twin decline advanced 164 metres from the surface portal.
- Construction work on surface for Phase I is progressing on schedule.
- Capital expenditure to date amounts to R26,3 million and is within budget.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Gold production increased

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	Year ended 30.9.1990
Mined (m²)	41 054	34 863	160 158
Ore milled (t)	230 000	218 000	921 000
Yield (g/t)	6,1	6,0	6,1
Gold produced (kg)	1 400	1 300	5 570
Working revenue (R/kg)	31 355	31 933	32 559
Working costs (R/kg)	24 544	23 189	22 520
(R/t milled)	149,40	138,28	136,20
Working income (R/kg)	6 811	8 744	10 039
Gold price received (R/kg)	31 272	31 800	32 389
($/oz)	377	371	386

FINANCIAL RESULTS (R'000)			
Working revenue	43 897	41 513	181 356
Working costs	34 362	30 146	125 439
Working income	9 535	11 367	55 917
Sundry income – net	3 613	1 989	9 360
Milling fee paid	1 636	1 512	6 710
Income before taxation and State's share of income	11 512	11 844	58 567
Taxation and State's share of income	151	2 906	18 590
Income after taxation and State's share of income	11 361	8 938	39 977
Capital expenditure	7 418	4 807	18 726
Dividend declared	7 280	–	21 280

DEVELOPMENT	Quarter ended 30.9.1990 "B" Reef	Basal Reef	Leader Reef	Middle Reef	Year ended 30.9.1990 "B" Reef	Basal Reef	Leader Reef	Middle Reef
Advanced (m)	–	2 575	9	–	[illegible]	10 441	260	17
Advanced on reef (m)	–	128	5	–	8	902	62	17
Sampled (m)	–	159	6	–	8	800	50	0
Channel width (cm)	–	154	125	–	280	138	211	0
Average value – gold (g/t)	–	9,7	5,0	–	1,3	7,8	3,8	0
– (cm.g/t)	–	1 500	622	–	349	1 031	755	0

REMARKS
- Estimated capital expenditure for the next six months – R11 million.
- Final dividend No. 22 of 26 cents per share was declared.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Exploration at No. 10 Shaft encouraging

Issued capital – 8 625 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 825 035 'B' cumulative preference shares of R1 each.
– 2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Mined (m²)	98 863	104 558	301 897
Ore milled (t)	407 000	436 000	1 253 000
Yield (g/t)	6,3	6,0	6,1
Gold produced (kg)	2 569	2 631	7 634
Working revenue (R/kg)	31 777	31 190	32 242
Working costs (R/kg)	30 195	28 870	28 942
(R/t milled)	191,63	173,03	176,72
Working income (R/kg)	1 582	2 320	3 300
Gold price received (R/kg)	31 677	31 119	32 087
($/oz)	377	369	384

FINANCIAL RESULTS (R'000)			
Working revenue	82 081	82 061	282 582
Working costs	77 594	75 958	226 728
Working income	4 087	6 103	25 854
Sundry income – net	2 242	3 733	8 880
Income before taxation and State's share of income	6 329	9 836	34 534
Taxation and State's share of income	831	1 796	4 291
Income after taxation and State's share of income	5 498	8 040	30 243
Taxation offset on Oryx capital expenditure	(4 588)	(705)	1 874
Attributable to ordinary shareholders	10 086	8 745	28 369
Capital expenditure	4 785	3 031	7 191
Dividend declared	–	15 881	15 881

DEVELOPMENT	Quarter ended 30.9.1990 Basal Reef	Leader Reef	Quarter ended 30.6.1990 Basal Reef	Leader Reef	9 months ended 30.9.1990 Basal Reef	Leader Reef
Advanced (m)	3 955	409	3 803	138	11 195	915
Advanced on reef (m)	377	248	328	91	842	547
Sampled (m)	350	270	289	99	845	581
Channel width (cm)	149	195	123	138	131	165
Average value – gold (g/t)	4,7	3,5	6,2	4,4	6,0	4,0
– (cm.g/t)	702	686	757	605	782	656

REMARKS
- Estimated capital expenditure for the next six months – R12 million.
- Exploratory development in the No. 10 Shaft area has confirmed the existence of three areas of economic interest.
- Retrenchment costs of R2,7 million are included in working costs.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Steady progress

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	9 months ended 30.9.1990
Beisa Reef			
Ore milled (t)	18 098	20 821	83 103
Gold produced (kg)	47	47	148

FINANCIAL RESULTS (R'000)			
Net income before taxation	518	601	2 485
Capital expenditure	67 437	63 336	183 177

SHAFT SINKING
Sinking of the subvertical ventilation shaft progressed to 743 metres below 5 level and the subvertical main shaft to 538 metres.

CONSTRUCTION
- Phase 1 of the surface refrigeration plant has been completed.
- The construction of the metallurgical plant has continued on schedule.

REMARKS
- Capital expenditure is financed by loans from Oryx Gold Holdings Limited.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears elsewhere in this edition.
- A total of 8 058 tons of Beisa Reef material was stockpiled on surface in preparation for trial milling.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Annual dividend maintained

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	Year ended 30.9.1990
Mined (m²)	124 284	130 217	576 858
Ore milled (t)	515 000	518 000	2 106 000
Yield (g/t)	6,2	6,2	6,0
Gold produced (kg)	3 205	3 205	[illegible]
Working revenue (R/kg)	31 466	31 936	32 733
Working costs (R/kg)	22 095	21 012	21 145
(R/t milled)	137,50	130,51	127,43
Working income (R/kg)	9 371	11 924	11 648
Gold price received (R/kg)	31 033	32 474	32 395
($/oz)	308	385	385

FINANCIAL RESULTS (R'000)			
Working revenue	100 849	105 568	416 208
Working costs	70 813	67 343	268 387
Working income	30 036	38 215	147 821
Sundry income – net	6 892	6 514	21 783
Tribute and royalty payments – net	28	170	972
Income before taxation and State's share of income	36 900	44 569	168 569
Taxation and State's share of income	4 207	12 398	40 224
Income after taxation and State's share of income	32 693	32 172	128 344
Capital expenditure	24 357	26 767	89 292
Dividend declared	18 270	–	[illegible]

DEVELOPMENT – Kimberley Reef			
Advanced (m)	3 378	3 200	14 280
Advanced on reef (m)	777	612	3 860
Sampled (m)	900	786	4 037
Channel width (cm)	91	129	96
Average value – gold (g/t)	11,6	10,1	10,4
– (cm.g/t)	1 048	1 227	1 001

REMARKS
- Estimated capital expenditure for the next six months – R 42 million.
- Final dividend No. 61 of 150 cents per share was declared.
- No. 6 Main Shaft is being equipped and will be commissioned by the end of December 1990.
- Included in sundry income is an amount of R1,0 million, being a dividend received from Evander Township Limited.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Costs reduced

Issued capital – 18 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	Year ended 30.9.1990
Mined (m²)	31 536	32 681	149 618
Ore milled (t)	119 000	131 000	576 000
Yield (g/t)	4,9	4,4	4,6
Gold produced (kg)	578	578	2 634
Working revenue (R/kg)	32 604	34 562	33 983
Working costs (R/kg)	31 308	31 422	28 331
(R/t milled)	152,07	138,64	129,11
Working income (R/kg)	1 296	3 140	5 652
Gold price received (R/kg)	31 603	31 481	32 406
($/oz)	378	370	386

FINANCIAL RESULTS (R'000)			
Working revenue	18 845	19 977	89 510
Working costs	18 096	18 162	74 625
Working income	749	1 815	14 885
Sundry income – net	1 787	1 056	4 863
Tribute and royalty payments – net	6	33	69
Income before taxation and State's share of income	2 530	2 838	19 869
Taxation and State's share of income	(479)	774	7 991
Income after taxation and State's share of income	3 009	2 064	11 878
Capital expenditure	715	[illegible]	480
Dividend declared	3 200	–	8 600

DEVELOPMENT – Kimberley Reef			
Advanced (m)	1 202	[illegible]	4 801
Advanced on reef (m)	[illegible]	375	1 491
Sampled (m)	321	363	1 461
Channel width (cm)	[illegible]	29	25
Average value – gold (g/t)	11,7	18,9	25,2
– (cm.g/t)	441	549	631

REMARKS
- Estimated capital expenditure for the next six months – R2,0 million.
- Final dividend No. 52 of 20 cents per share was declared.
- Production has been scaled down in line with available length of payable face.
- Good progress has again been made with development of the Northern Block, but development values have decreased.
- Included in sundry income is an amount of R1,0 million, being a dividend received from Evander Township Limited.

KINROSS Mines Limited

Company Registration No. 63/00225/06

Major safety achievements

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1990	Quarter ended 30.6.1990	Year ended 30.9.1990
Mined (m²)	107 275	113 451	444 989
Ore milled (t)	489 000	501 000	2 043 000
Yield (g/t)	6,3	6,1	6,0
Gold produced (kg)	3 083	3 072	12 270
Working revenue (R/kg)	31 349	32 579	32 524
Working costs (R/kg)	21 927	20 343	20 113
(R/t milled)	138,24	124,74	120,80
Working income (R/kg)	9 422	12 236	12 411
Gold price received (R/kg)	31 189	32 298	32 313
($/oz)	371	392	384

FINANCIAL RESULTS (R'000)			
Working revenue	96 648	100 082	399 065
Working costs	67 601	62 494	246 792
Working income	29 047	37 588	152 273
Tribute and royalties – net	(545)	134	(47)
Sundry income – net	6 729	5 905	20 170
Income before taxation and State's share of income	35 231	43 627	172 396
Taxation and State's share of income	16 193	26 116	95 962
Income after taxation and State's share of income	19 038	17 511	76 434
Capital expenditure	6 949	7 641	17 993
Dividend declared	29 700	–	58 500

DEVELOPMENT – Kimberley Reef			
Advanced (m)	3 372	3 722	13 569
Advanced on reef (m)	1 058	1 091	3 903
Sampled (m)	1 082	1 077	3 903
Channel width (cm)	28	33	30
Average value – gold (g/t)	38	39,1	31
– (cm.g/t)	1 066	1 293	916

REMARKS
- Estimated capital expenditure for the next six months – R10 million.
- Final dividend No. 45 of 165 cents per stock unit was declared.
- The mine has been awarded:
The Millionaire shield
The Falls of Ground Safety Ladder Trophy for Class II mines
The Safety Target Competition Certificate for Class II mines
The Surface 400-Day Casualty – Free Shield.
- Retrenchment costs of R1,8 million are included in working costs.
- Included in sundry income is an amount of R1,0 million, being a dividend received from Evander Township Limited.

NOTES

1. On 17 October 1990 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 2 November 1990.

The registers of members of the companies will be closed from 5 November 1990 to 16 November 1990, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 30 November 1990, or the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 14 December 1990.

In the case of non-resident shareholders, taxation of 15 percent will be deducted.

The full conditions of payment may be inspected at or obtained from the registered offices.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street, Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001
(PO Box 61820, Marshalltown 2107)

London office
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

By order of the respective boards
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 17 October 1990

Copies are available from the London office

GENMIN GROUP

UK COMPANY NEWS

Waterford Wedgwood net loss deepens to I£22.6m

By Kieran Cooke in Dublin

WATERFORD, manufacturers of the luxury Irish crystal ware, is to move a "substantial" part of its manufacturing operation outside Ireland.

Mr Paddy Bryne, chief executive of the Waterford Wedgwood group, announced the plan yesterday while disclosing that group net losses in the six months to June 30 had grown to I£22.6m compared with I£14m in the same period last year.

The increased losses and the decision to move some of its manufacturing operations offshore come after the 14 week strike at Waterford earlier this year.

The company, which is one of Ireland's biggest employers with a workforce of more than 2,000, plans to move a large, but unspecified amount of its production to continental Europe within five years.

The group's Wedgewood china company, based in Stoke-on-Trent, Staffordshire, made a pre tax profit of I£7m - compared with last year's profit figure in the first six months of I£8m.

However, the Waterford crystal operation dragged down group figures with a divisional pre tax loss of I£14.6m compared to a loss of Irish I£12.9m in the 1989 period.

The Creative Tableware division of the group also turned in a pre tax loss of I£350,000 compared to a profit of I£3.2m in the first six months of last year.

Mr Howard Kilroy, group chairman, said that the performance in the first half of the year had been adversely affected both by a downturn in major markets and by the impact of the prolonged strike in the crystal division.

Group sales were down I£30m to I£148m in the first six months of the year. The group estimates that the strike had a first half "adverse profit impact" of about I£10m.

The one bright note in yesterday's figures was the substantial reduction in group debt from I£145.3m to I£34.9m.

This reduction follows the purchase of a 30 per cent stake in Waterford Wedgwood earlier this year by a consortium led by Mr Tony O'Reilly, the Irish born head of the Heinz group, and Morgan Stanley, the US investment bank.

Ashley Ashwood

Tony O'Reilly: cut in debt followed consortium holding

Interest payments on group debt were I£2.2m in the first six months of the year. The group says these payments will be significantly reduced in the second half of the year, reflecting the improved position on debt.

Mr Bryne also talked of a more realistic attitude amongst the Waterford workforce in the aftermath of this year's strike.

Management said it was unlikely that manufacturing crystal outside Ireland would cause job losses at Waterford, at least not in the short term. But Mr Bryne warned that other outside economic factors could lead to redundancies next year.

The group has selected three or four possible firms in Europe which would be capable of manufacturing crystal to be sold under the Waterford label.

One, the German FX Nachtmann company, has already produced products for test marketing. Crystal division workers were last night due to hold a mass meeting to discuss latest management moves

COMMENT

Given the spate of well-publicised problems at Waterford Wedgwood, yesterday's figures were unlikely to be anything other than dreadful - which they duly were. Optimistic investors will say that the pre-tax loss of IR£18.3m for the six month period represents the absolute rock-bottom of the company's fortunes, and thereby an opportunity to buy into the fabled Waterford and Wedgwood brands. The trouble with this argument is that there are many clouds on the horizon. For one, the post-strike rationalisation benefits at Waterford risk being offset by depressed consumer demand in the company's main markets, and currencies are likely to continue to move against the group. The balance sheet is in a much healthier state following the capital injection in May this year, with debt at IR£34.9m against IR£148m a year previously, but the company is unlikely to make a profit or pay a dividend before 1992. For the patient only.

Polly Peck sells hotel stake in N Cyprus

By Richard Waters

POLLY PECK International has ended the confusion that had reigned since the start of the week by announcing yesterday that it had sold its 93 per cent stake in a hotel in Northern Cyprus to the government of the break-away state.

Despite reports that the sale had taken place, the government of the Turkish-backed regime said on Monday that it had bought the Salamis Bay hotel from a company called Leonard Fairclough Hotels, rather than Polly Peck, which denied the sale at the time.

Yesterday, it said that agreement had been reached to sell its stake for $12m, and that $10m of this had been received in London last Friday – the day it met with bankers to discuss its current liquidity crisis.

The $10m accounts for most of the cash that Mr Asil Nadir, chairman of Polly Peck and a Turkish Cypriot, was able to tell bankers he had managed to raise to get the company through to November 9, when banks next meet to consider extending overdue Polly Peck loans.

The Salamis Bay hotel had been owned by Leonard Fairclough Hotels until earlier this year, when Polly Peck is understood to have paid more than the $12m it has now received from the sale. The hotel had been the subject of a long-standing dispute between Fairclough and the government of north Cyprus, which had occupied the hotel and refused to release it to its owners.

Trace shares lower on profit warning

Shares in Trace Computers, the broadly based computer systems concern, fell 8p to 63p yesterday following a profits warning given by Mr Robert Carefull, the chairman.

Mr Carefull told the annual meeting that trading for the year to date was below budget. Pre-tax profits for the six months to November 30 were therefore, likely to be below the previous £843,000.

Severn falls foul of sitting duck

Andrew Bolger on why Caird is beginning to look less of a catch

JOHN Bellak, chairman of Severn Trent, one of Britain's largest privatised water companies, is a keen birdwatcher and can easily spot a sitting duck when he sees one.

Caird Group, the fastest-growing company in the fashionable and highly-rated waste disposal sector, recently seemed to present just such a target when it reported profits well below expectations.

Mr Bellak was keen to add higher-margin businesses to Severn Trent's core water activities and did not shrink from the publicity associated with the first hostile takeover bid to be launched by one of the 10 recently privatised water companies.

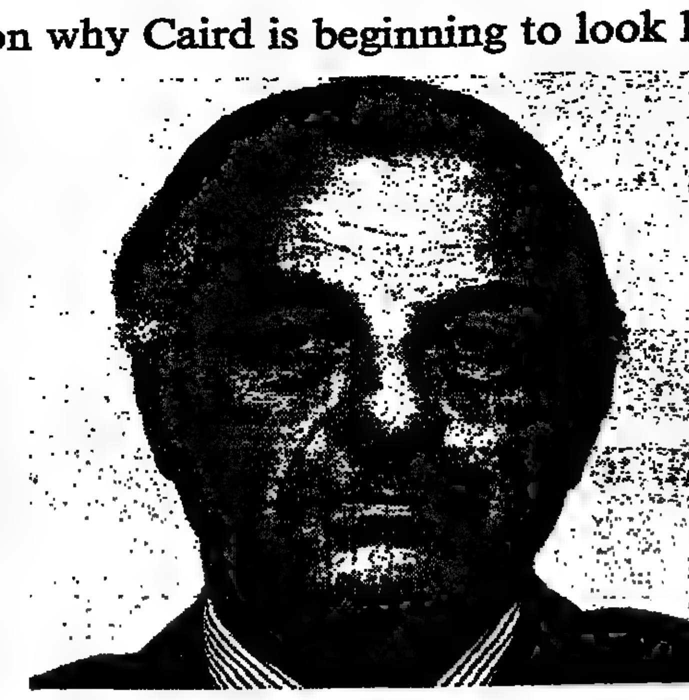
After Caird's annual results shocked the City last month its share price, which peaked at 234p in July, quickly collapsed to 65p – reducing the market value of the former high-flier from £125m to £52m in just over seven weeks.

Analysts said Mr Peter Linacre, Caird's chairman, had lost considerable credibility. The company's plight gave Mr Bellak his opening and on September 22 Severn Trent launched a 100p a share cash bid, valuing the company at £78m.

Observers agreed that the offer was shrewdly timed. Severn Trent was able to buy enough shares in the market to raise its stake to 29.98 per cent. So why were there no champagne corks popping at Severn Trent's Birmingham headquarters yesterday morning, after Caird reluctantly recommended acceptance?

The answer is that Caird's latest document was even more shocking for the City than last month's results. Having all but won the takeover battle, Mr Bellak and his colleagues must be having second and third thoughts as to whether they want the prize – and if not, how do they extricate themselves from what has become an expensive and embarrassing fiasco.

When Caird published its annual results on September 4, it forecast pre-tax profits of £8.5m for the 18 months to December 31. Severn Trent made it a condition of the bid that Caird repeat the forecast.



John Bellak: keen to add higher-margin businesses

Yesterday Caird not only failed to meet that condition, but failed to do so with a document which raised serious questions about the management and financial controls of the group which Mr Linacre built up through more than 50 acquisitions after joining the former Dundee-based property company in 1987.

In fact Caird now expects to make only £7.15m in the 18-month period. It said the figure was below last month's forecast because of the elimination of two items worth £1m from the already published results for the 12 months to June 30.

These were, firstly, a profit of £700,000 arising from the sale and leaseback of plant and vehicles which should have been spread over a number of years, in accordance with normal accounting standards, and secondly, a profit of £300,000 on the sale of properties which were not completed.

Caird also said it had decided to pull out of property development and was making an extraordinary provision of £3m to cover anticipated losses and closure costs. It has made a further provision of £1.89m to cover closure costs and losses of other businesses to be sold.

After these provisions and taxation, profits attributable to shareholders will be only £1.58m.

The profits forecast also includes £1.5m from the sale of two sites to companies which are wholly-owned subsidiaries of a company in which Caird has a 49 per cent stake. Caird has guaranteed the borrowings of these companies and it is intended that it will have the option to reacquire the properties at accumulated cost.

Caird's auditors, KPMG Peat Marwick McLintock, qualified its endorsement of the profits forecast, saying that the £1.5m should be treated more properly as a revaluation surplus, rather than being recognised as a profit. Caird's directors said that they had chosen to to show the item as a profit because sales of the properties had taken place to companies outside the group, and cash considerations had passed.

Caird also reported on the outcome of an independent valuation of 24 of the 28 landfill and mineral sites which it owns, occupies or has an option to buy or occupy. The valuation related to 17.8m cu m of existing and potential void space with planning permission for infill and gave them an open-market valuation of £18.1m.

Analysts said they had understood from Caird that it had a landfill reserve of 30m cu m with licences for waste disposal, and not just the planning permission referred to by the valuation.

Caird said the valuation did not include the value of profits generated by operating these sites; 35m cu m of existing and potential void space which could get planning permission for infill; or any future value in relation to the joint venture with Evered, the quarry group, apart from two sites which were counted.

Although Caird's board believed the valuation significantly understated the value of these sites and businesses to a third-party purchaser, it felt it inappropriate to adjust for the results of the valuation its statement of net tangible assets, which at June 30 were £54.1m.

One analyst said of Caird's document: "If this is a scorched earth defence policy, it is starting to look convincing."

Severn Trent yesterday confined itself to saying it was disappointed by Caird's failure to repeat its profits forecast, made only six weeks ago, and viewed with concern the nature of the disclosed extraordinary losses.

Mr Bellak finds himself in a cruel dilemma. If he walks away from the deal, Severn Trent will suffer a considerable blow to its credibility – and will be left with the problem of what to do with its 29.98 per cent stake in Caird.

On the other hand, if Severn Trent proceeds – perhaps with a lower offer – analysts are concerned that the water company's management will be distracted from its core business by the demands of licking Caird into shape.

Whatever the outcome of this particular bid, there will be widespread regret that the first water company to hit the takeover trail with a hostile bid should have got off to such an inauspicious start.

Brent Walker shares fall 24p as concern deepens

By Richard Gourlay

SHARES IN Brent Walker, the highly leveraged leisure group headed by former boxer Mr George Walker, fell a further 24p to 60p, yesterday as concern deepened over the delays in publication of listing particulars for the group's £103m convertible bond issue.

It also emerged that Brent Walker has been leading bankers and shareholders on two-day tours that take in Brighton Marina, the Puerto Sherry yacht club hotel in southern Spain, London's Trocadero and William Hill in Leeds in an apparent effort to bolster confidence in the underlying assets of the group.

Yesterday's share price fall to less than half the 140p conversion price for the bonds, cuts Brent Walker's market capitalisation to £30m against which it has debts of around £1.1bn. At their highest in February this year, the shares stood at 375p.

A City analyst said about the delay in publishing the listing particulars that "no news is bad news".

Brent Walker had promised to send the document to shareholders soon after last month's interim results announcement. But it has delayed this until next week because of complications arising from its sale of Goldcrest, the independent film company, which was subsequently agreed, Brent Walker's PR firm said.

While the terms of the bond issue would lead to a heavy dilution in future earnings if conversion went ahead, the listing was unlikely to include anything that the market was not already aware of, an analyst said.

The document is likely to include reference to a writ issued by Grand Metropolitan against Brent Walker in connection with a £50m final payment which GrandMet, the drinks, food and pubs group, says it is owed for the sale of its betting shop chain to William Hill Group, part of the Brent Walker group.

Brent Walker is arguing that profits from the chain were lower than expected and has demanded a £160m reduction in the final purchase price. Both sides say they want a quick settlement but no arbitrator has yet been appointed.

Secure Trust makes £0.75m acquisition

Secure Trust, the Birmingham-based financial services group, is to acquire Moneycare for £750,000. Moneycare, owned by Beneficial Bank, operates a home money management business in Birmingham with 2,500 customers. Last year it earned £116,070 before tax on turnover of £381,016. The audited net asset value was £100,000.

First Maryland at $16m for quarter

First Maryland, the US subsidiary of Allied Irish Banks, earned $16.3m after tax in the third quarter of this year, down from $19.9m in the same period last year when there were $4m of non-recurring gains. Earnings for the first nine months amounted to $42m, down from $50.6m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Air London ....fin	1.4	Dec 12	-	2.6	-
Boot (Henry) ....int	7	Nov 19	6	-	21
Bourne End Props ....int	1	Dec 3	1	-	3
City Oxford Inv ....int	1.05‡‡	-	0.9375	-	4
Cooper (Fredk) ....fin	2.5	Feb 4	2.5	4	3.85
Eng Nat (preld) ....int	5	Dec 7	4.75	-	13
Eng Nat (defd) ....int	2.55	Dec 7	2.5	-	5.1
Era Group ....int	nil	-	1	-	1
Gartmore Am Sec ....int	0.9	-	0.8	-	3.4
House of Leroas ....int	3	Nov 30	3	-	10.3
Norex ....fin	1	-	nil	1	nil
Scott Amer Inv ....int	0.96‡	Jan 4	0.85	-	3.3
TIP Europe ....fin	3.6	Dec 5	3.4	5.3	5
Turriff Corp ....int	4.25	Jan 2	4.25	-	15

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Makes 2.82p to date and implies minimum total of 3.78p. ‡‡Makes 1.9875p to date; total 4.6p forecast.

UK COMPANY NEWS

French dressing up for Highland fling

Philip Rawstorne and **George Graham** look at the whisky distiller's deal with Rémy

THE FAMOUS Grouse should fly higher, further and faster as a result of Highland Distilleries' £76m investment in France's Rémy Cointreau group announced yesterday. And after years of restricting family squabbles, Rémy takes another step in its expansion from cognac into the wider drinks industry.

"The next LVMH?" wonders Mr Karl Debenham, analyst at brokers Charterhouse Tilney.

As the Guinness tie-up with LVMH, the French perfumes, luggage, champagne and brandy group, demonstrated, the creation of comprehensive premium drinks portfolios and distribution networks is the key to the growth of international drinks brands.

The Famous Grouse is the top-selling Scotch in Scotland, and number two in the UK – but it has still to exploit its potential in overseas markets. While the Scotch whisky industry as a whole exports 85 per cent of its production, Highland exports only 27 per cent of its brand.

Two years ago, it signed its first distribution agreement with Rémy in France. Highland quickly realised it had found its perfect partner. Sales in that country increased last year by 28 per cent.

The two companies found that they had comparable philosophies and marketing strategies; and the successful relationship established in France has been extended to trading arrangements in 19 other countries.

Rémy has the Krug and Heidsieck champagne brands, Rémy Martin cognac, and Cointreau liqueur. It also has one of the five leading international distribution networks.

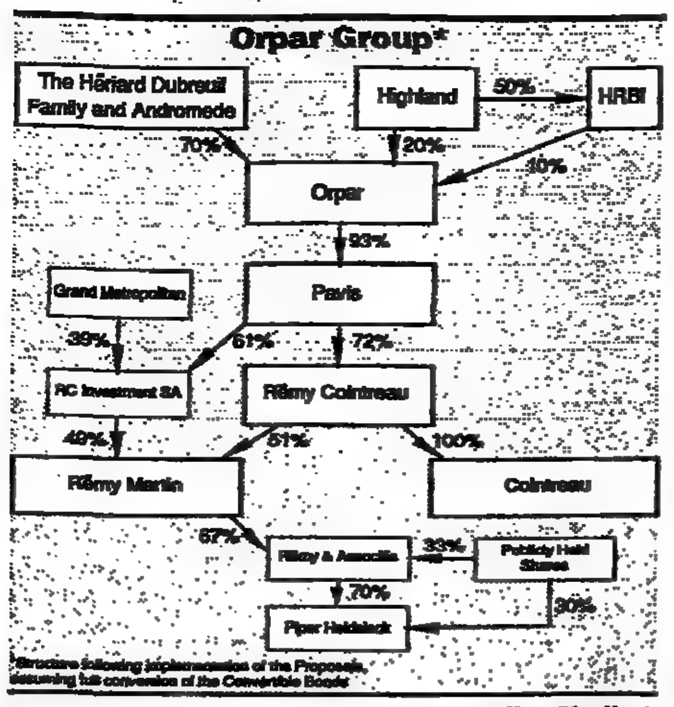
The Famous Grouse, and Highland's malt whiskies, Highland Park, Tamdhu and Bunnahabhain – "unspeakably good malt" – fill an important gap in its range.

Highland will retain its links with other distributors in some markets, notably Grand Metropolitan's Heublein in the US, but in major growth areas such as Japan and Thailand, as well as in Canada and several European countries, its fortunes are now firmly tied to Rémy.

Orpar, Rémy Cointreau's controlling shareholder, insisted on sealing the knot. Yesterday's proposed deal – in which Highland and Robertson & Baxter, the Scotch blender which is its partner in the Famous Grouse brand, will together acquire a 30 per cent stake in Orpar – is intended to underline the long-term commitment of both groups to the trading agreements.

Mr Alan Gray, whisky industry analyst for Charterhouse Tilney in Glasgow, says: "It looks a very good and sensible deal which should give Highland the distribution it needs to expand overseas sales."

Highland is also using some of its £25m cash resources to expand into operations with which it is familiar – rather more welcome to the City than its ill-fated venture into mushroom farming which it closed last year at a cost of nearly £1m.



The Scottish company will be represented on the boards of Orpar and its distribution company, Rémy & Associés, giving it greater influence over the marketing of its brands. It will share in the eventual profits from distribution; and also has the right of first refusal on distribution arrangements in new markets.

Almost as a by-product of the deal, Highland will also record an increase in net assets of £25.4m from the sale of its stake in Macallan-Glenlivet, the malt whisky distiller, to Orpar for £31.4m. That gain should not be taxable until Highland disposes of the convertible bonds which the sale of the Macallan shares helped to finance.

The deal values the Rémy Cointreau group at more than £3bn. For years, the rivalry between Mr André Hériard-Dubreuil, with 51 per cent of Rémy Martin, and Mr Max Cointreau, his brother-in-law, with 49 per cent, prevented the cognac company from increasing its capital. Efforts to get around this by developing a new subsidiary, Rémy et Associés, sparked a legal battle which has gone to the French supreme court 12 times.

In the last few years, however, Mr Hériard-Dubreuil's twin sons, Marc and François, have led a determined policy of diversification away from their Cognac base, while at the same time concentrating the cognac business on premium grades of VSOP quality or higher – a strategy that many of the other leading cognac groups have now followed.

After failing in a contested bid for Bénédictine, the Normandy liqueur producer, Rémy acquired the Piper Heidsieck and Charles Heidsieck champagne brands to add to its existing prestigious champagne house, Krug, placing it fourth in the label champagne market. It then added Mount Gay Barbados rum and Galliano liqueur to its portfolio.

The crucial twist, however, came last year when Rémy agreed to merge with the Cointreau liqueur house – which shared the same troublesome minority shareholder, Mr Max Cointreau.

The deal not only created one of the world's finest portfolios of top class drinks brands – although some analysts believe Rémy still needs more brands to extract full value from its distribution network – but also persuaded Mr Cointreau to throw in the towel and sell his Rémy shares to Grand Met.

F Cooper hit by government squeeze

By Paul Cheeseright, Midlands Correspondent

FREDERICK COOPER, the Walsall-based mini-conglomerate with interests in security and architectural hardware and electrical products, has recorded its first drop in profits for five years with the pre-tax figure nearly halved. But it has still increased its dividend.

In the year ended July 31 1990 profits came to £4.81m, compared with £8.72m, and earnings per share fell from 16.1p to 8.4p. The final dividend is 2.5p bringing the total for the year to 4p, against 3.65p.

Cooper was a victim of the government's financial squeeze which had sliced into the markets for products related to new or improving homes, although its metal-coatings division, which exports over half of its output, achieved a record.

Mr Eddie Kirk, the chairman, had already warned of a fall in profits. He agreed yesterday that the immediate performance of the group was tied to the general economic situation; while he welcomed the recent cut in interest rates, he said "we need another two points off to engineer any genuine improvement."

Under the circumstances Cooper's dividend policy was generous. It reflected the efforts being made in boardrooms across the UK to keep shareholders both tranquil at a time of deteriorating corporate fortunes, and resolute in the face of any takeover threat.

Lurking in the background at Cooper was the 4.9 per cent stake built up last year by Newman Tonks, a larger competitor in some of the markets where Cooper was active. Newman Tonks had been quietly sitting on its stake and took up its entitlement last July when Cooper issued 13.6m ordinary shares to finance acquisitions. But its presence was a silent pressure on the board.

Cooper's disposal of material handling businesses during the year brought in an exceptional £5.59m, enabling it comfortably to cover the dividend payment and succour the balance sheet.

Net profit was £2.97m but the cost of its dividends were £2.84m.

At July 31 gearing was 16 per cent, but that had increased, Mr Kirk said, to 40 per cent following the acquisitions of Group Sales, a distributor in the door and window industry, and Beaver Architectural Ironmongery, another distributor.

He added that October was in any case a peak time for borrowing because of working capital requirements, and that gearing should be down to 30 per cent by the end of the financial year.

Capital expenditure reached a record £2.6m, but this year, in line with many industrial companies, it would be down – to £2m.

Transformation continues at SW Resources

By Clay Harris

The transformation of Southwest Resources, the former oil and gas subsidiary of the failed Dominion International Group, into a services company continued yesterday with a Hong Kong disposal for cash and two acquisitions for shares in the UK.

Mr Jeffrey Fowler, chairman, said Southwest would change its name to The Corporate Services Group and specialise in recruitment, office interiors and outdoor poster sites.

Mr Fowler reversed his ADG Group, a poster and public relations company, into Southwest in an all-share deal this summer which appears to have been a disguised rights issue.

Southwest said yesterday it would raise £5.6m from the sale of Guardian Investment Holdings, a Hong Kong property management company, to First Pacific Davies. Mr Fowler said: "I have plans for the cash. We have something in mind."

The group is also discussing the sale of its US oil and gas interests. A previous disposal plan fell through in February, but the oil price has since turned in Southwest's favour.

Southwest announced the purchase of Multistaff, a 10-office recruitment agency, for £180,000 and poster sites in greater London from Lamprell Advertising for £540,000.

The deals will be financed by a vendor placing of 36m shares at 2p. Southwest shares were unchanged at 1¾p on the USM. Williams de Broe is forecasting pre-tax profits of £1.9m and earnings per share of 0.41p for the year to March 1991.

Southwest bought Guardian for £6.8m from Dominion in May 1989. The administrators who were appointed to Dominion in January sold its remaining Southwest stake in March.

Pict Petroleum back in black with £2.29m

By Richard Gourlay

PICT PETROLEUM, the Edinburgh-based oil and gas explorer, yesterday reported profits of £2.29m for the year ended June 1990, for earnings per share of 6.22p.

That compared with losses of £399,000 in 1988-89, equal to 1.45p per share.

The transformation, which followed the first year of production from the Ivanhoe, Rob Roy and Hamish Fields, signalled a fundamental shift in the fortunes of the USM-listed company, Mr John Lander, the managing director, said.

Pict had secured a $60m line of credit from a consortium of banks led by Chase Manhattan to fund its share of the Scott Oil field in the north Sea.

This was the first significant loan it had obtained without the financial support of Amerada Hess, the US oil company which holds 48.5 per cent of its capital.

Mr Lander said the company would produce an average 2,500 barrels a day in the year to June 1991 and would be drilling eight new wells in the north sea at a cost of £3m.

It had assumed an oil price for 1991 of $20 a barrel in calculating the cash it must generate to cover development and loan costs.

The Scott field, in which Pict has a 1.88 per cent stake, had reserves of 450m barrels and was the largest field yet to be developed in the North Sea.

When Scott came on stream in 1993, Pict's production would double to around 5,000 barrels a day, Mr Lander said.

Interest and property sales boost Brit Syphon

By Peter Pearse

HAVING reverted to a December 31 year-end, British Syphon Industries yesterday simultaneously announced results for the 10 months to June 30 and the six months to February 28.

This engineering, distribution and manufacturing company – which was prevented from going private in 1989 by Mr Nathu Ram Puri who owns a 25.05 per cent stake – said that pre-tax profits in both periods had been boosted by non-recurring profit from the sale of freehold property and substantial income from cash deposits.

In the 10-month period, taxable profits totalled £8.31m, including £1.95m from the sale of investment properties and £3.76m of receivable interest, while the six months figure was swelled by the same amount from the sale and £1.97m from interest.

Mr Bryan Morrall, chairman, suggested that a more realistic picture of the company's position could be gleaned from the trading profits, which were £2.51m and £1.86m for the two periods respectively. Sales amounted to £40.27m and £24.27m and earnings worked through at 21.85p and 15.43p per share.

The directors said that, in view of the level of trading profits and the current economic climate, there would be no interim dividends for either of the periods. In the six months to June 30 1989, pre-tax profits were £439,000, reduced from trading profits of £920,000 by interest payable of £481,000. Sales were £48.43m and earnings 0.77p per share.

British Syphon's paper merchanting and paper manufacturing activities were sold in September 1989 and July 1990 respectively. The extraordinary surpluses of £8.16m and £9.1m for the 10 months to June 30 1990 and the six months to February 28 1990 relates to the sale of Fyne Papers, the paper merchant.

Kynoch rights fails to attract

By Andrew Jack

A heavily-discounted £4.4m rights issue to help G&G Kynoch diversify into healthcare equipment was only 2.95 per cent taken up by existing shareholders, the company stated late yesterday afternoon.

G&G Kynoch said that 291,379 of the 9,874,000 ordinary shares priced at 50p were taken up by shareholders in the 5-for-1 rights issue launched at the start of September.

A number of investment institutions acting as sub-underwriters have taken up a further 78.9 per cent of the shares.

UK COMPANY NEWS

Capital spending will be cut to less than £10m

Continental growth helps TIP Europe to £15.5m

By Jane Fuller

TIP EUROPE, the Anglo-Dutch trailer rental company, advanced pre-tax profit to £15.51m in the year to July 31, but extra shares in issue put the brake on earnings growth.

While the taxable figure grew by 22 per cent from £12.7m, earnings per share rose by 5 per cent to 14.8p (14.1p), held back by the paper used for acquisitions made in 1988-89.

Growth at the pre-tax level was helped by a change in depreciation, to take account of longer trailer lives.

Had the new method been applied in the previous year, pre-tax profit would have been £1.5m greater.

Turnover increased by 68 per cent from £54.92m to £92.55m and operating profit to £29.8m (£18.53m). But interest charges jumped to £13.79m (£5.83m).

Mr Jim Cleary, chairman, said the average size of the trailer fleet had grown from 13,388 in 1988-89 to 18,794 last year.

Branch openings were mainly in Germany, France and Scandinavia.

The UK fleet had grown by 25 per cent, but profit had declined as the utilisation rate had fallen from nearly 80 per cent to just over 70 per cent. On the Continent, the fleet had grown by 44 per cent and utilisation rates had remained high.

"For the first time, turnover on the Continent overtook turnover in the UK," he said.

The group made two acquisitions during the year – Key Leasing, a finance company, and Mobiel, which deals in temporary office buildings.

Mr David Callear, finance director, said borrowings at the year-end were £160m and gearing had reached 370 per cent, compared with 230 per cent in the previous July. Both had come down from their peak.

To reduce debt this year, capital expenditure would be cut from £70m to less than £10m. Through borrowing in a variety of currencies, mainly at fixed rates, the effective interest rate was about 10 per cent.

The recommended final dividend of 3.6p makes a total of 5.3p (5p).

The share price closed down 3p at 73p yesterday, which compares with a high of 213p earlier this year and a flotation price of 125p in February 1988.

● COMMENT

TIP's share price fell off a cliff this summer as anxiety set in about the effects of the slowdown in the UK, where half of its profit lies, and about the soaring level of debt. Interest cover plummeted from 3.2 times to 2.1 times.

Worries remain about the same two points, with the Gulf crisis aggravating the economic uncertainty. However, the steep fall in capital expenditure and strong cash flow should reduce gearing to a more respectable level.

The drawing in of its expansionary horns should also at last prepare the way for an improvement in earnings per share, which have risen by a measly 8 per cent since flotation, while turnover has nearly trebled. After losing leadership of the European market to Tiphook, which needed MMC clearance for its winter purchase of Trailerent, it is hoped that TIP is settling down to make more of its existing assets. A pre-tax profit of between £16m and £17m this year gives a prospective p/e of less than five. The downside is in the price, which is supported by a 9.5 per cent yield, but growth prospects are medium rather than short term.

Era losses sharply up at £0.97m

FIRST-half 1990 results of Era Group were better than expected and overall it was recovering well from the problems of last year, Mr Tony Fay, the chairman, said.

However, loss before tax for the period more than doubled to £965,000 (£437,000). The most significant reason was a surge in net interest charges to £895,000 (£344,000) mainly because of losses on the sale of Lexterten (reproduction furniture) to management.

Mr Fay said that in generally adverse market conditions all the businesses – model hobby products, toys and games; photographic equipment; furniture fittings – performed satisfactorily.

He pointed out that the majority of business was seasonal and depended on November and December trading.

Turnover of ongoing businesses in the half year was £29.73m (£26.74m). There are no preference or ordinary dividends because of the deficit on profit and loss account incurred last year. Loss per share came to 1.26p (0.66p).

An extraordinary loss of £168,000 was recorded in connection with the sale of property investments of Combined Estates Securities. Mr Fay said it would be necessary to consider the value of the remaining investment of £819,000 in Lexterten when its 1990 results were available.

Turriff rises 12% to £1.7m but warns on second-half trading

By Richard Gourlay

TURRIFF CORPORATION, the Warwick-based construction and plant hire group, yesterday reported a 12 per cent improvement in interim pre-tax profits from £1.47m to £1.65m. However it also warned that trading conditions in plant hire and commercial property had worsened in the second half.

Mr Astley Whittall, Turriff chairman, said he was confident that last year's second-half earnings performance would be matched by selling four commercial property developments.

Turnover during the period under review rose 28 per cent from 69.07m to £88.34m and earnings per share rose from 11.7p to 14.7p.

The comparisons have been adjusted to reflect the new policy of charging interest on house building as soon as it is accrued.

Previously it was capitalised and written off when a house was sold.

The interim dividend has been maintained at 4.25p and the shares closed unchanged at 235p.

Plant hire business supplied only 40 per cent of trading profits, against 55 per cent last year.

It was particularly badly hit by the collapse in demand from building contractors hiring for shorter periods.

Long-term contract hire remained relatively firm. Bad debts in this division also jumped.

Construction held up in the first half as the company moved increasingly towards "design and build" projects which offer higher margins.

House sales started firmly, but fell in the second quarter and Turriff has now stopped buying new land for development.

Mr John Wyatt, chief executive, said the group was looking at possible tie-ups with European companies which might see advantages in being associated with a small national construction company.

The personnel placement business, two-thirds of which is in Australia, had a good year and accounted for 15 per cent of trading profits. In April Turriff bought Staffwise to increase its exposure in this business.

The company made an extraordinary provision of £495,000 to cover the closure of Bellman, its information marketing subsidiary, and the cost of merging two personnel placement companies.

John Wyatt, chief executive of Turriff, says the group is looking at possible tie-ups with European companies

NEWS DIGEST

Near 27% advance for Henry Boot

MAINLY THROUGH the absence of gearing and the completion ofurther property transactions, Henry Boot & Sons increased its pre-tax profit by 26.5 per cent in the first half of 1990.

It came to £1.96m (£1.55m), while turnover fell 7.5 per cent to £55.5m (£60m). The group is engaged in building and civil engineering, rail track and property development.

Mr David Boot, chairman, said the private housing and property related activities continued to be hampered by market conditions, with no early sign of improvement.

The general decline in the private sector impacted on construction activities, and led to tighter margins.

The plant hire company was trading satisfactorily in a most competitive market.

Earnings for the period rose to 23.4p (18.1p) and the interim dividend is lifted 1p to 7p.

US operation helps lift Norex by 33%

Norex, the shipping and insurance group, reported a 33 per cent increase in pre-tax profits in the year to June 30, helped by its streamlined Norex American subsidiary.

The group, has also returned to the dividend list with a proposed 1p payment for the year. It last paid a dividend in 1983.

The profits improvement, from £2.37m to £3.16m, was achieved on lower turnover of £33.37m (£48.56m) and was after higher interest and similar charges of £1.5m (£264,000).

Norex America, formerly Bermuda Star Line, had its first year of new activities in shipping and offshore rig investments following the departure from its previous cruise line business. The directors said that its strong results consisted primarily of revenues and income from those businesses.

The insurance division achieved a turnround from a loss of £1.2m to profits of £748,000, and Horncastle Executive Travel achieved a small profit, the directors said.

After tax and minorities, earnings per share increased to 18.12p (14.07p). There was also an extraordinary £19,000 debit (£4.73m credit).

Gartmore American NAV slips further

Gartmore American Securities, an investment trust, reported a further decline in net asset value per 25p share to 23.8p at September 30, 1990. This compared with 41.8p six months earlier and 51.72p at the end of September, 1989.

Net revenue for the half year was little changed at £757,000 (£760,000), after tax of £317,000 (£357,000). Earnings per share came to 2.05p (2.06p), while a second interim dividend of 0.9p has been declared making 1.8p (1.6p) to date.

Bourne End profit at £65,000 midway

In a very difficult period, Bourne End Properties made a pre-tax profit of £65,000 for the first half of 1990.

Last year the profit was £347,000, but should not be regarded as comparable as it was a transition period, the directors said.

In 1990, property sales generated £223,000 profit and rental income came to £1.34m. There had been a further increase in the latter which was running at £4m annually.

The purchase of 37 Magnet stores was completed, financed by long-term debt of £15m capped at 13 per cent with rental income covering the interest payments.

The interim dividend is again 1p from earnings of 0.77p (3.5p).

Wagon in £6.5m sale to British Steel

Link 51, a subsidiary of Wagon Industrial Holdings, is selling the fixed assets, stock and goodwill of its steel cold rolling and processing business to British Steel.

Consideration for the business, known as Steel of Staffs, will be £4.75m plus the value of stock at completion. Total amount is £6.5m cash and the overall benefit to Wagon is estimated at £8m because of the lower investment in working capital.

Steel of Staffs will continue to supply Link 51 with rolled cold steel. The Wagon group is engaged in materials handling and storage, engineering and automotive components.

Blenheim pays £6m on US expansion

Blenheim Exhibitions Group, the acquisitive exhibition organiser quoted on the USM, has expanded its US activities via the purchase of National Expositions Co for an initial $12.21m (£6.2m) in cash. Further consideration of up to $1.8m is possible.

NEC, which organises a portfolio of trade exhibitions mainly in the US, has agreed to pay an initial $5.5m and a further sum of up to $0.97m which Blenheim has guaranteed, to certain NEC individuals as additional remuneration for their past services.

Net assets fall at English National

English National Investment Company reported falls in the net asset value of both classes of its shares – from 349.28p on September 30 1989 to 277.45p on the same date this year for the preferred £1 ordinary and from 274.28p to 202.45p for the deferred 25p ordinary.

However, the interim dividends on both classes have been raised. Payment on the preferred goes up to 5p (4.75p) and on the deferred to 3.55p (2.3p). The company said that, in the absence of unforeseen circumstances, the final dividends would be at least maintained.

Net revenue rose to £250,566 (£235,966) for earnings of 7.99p (7.6p) per preferred share and of 5.54p (5.16p) per deferred share.

Air London makes £0.82m in first year

As it completes its first year as a quoted company, Air London International reports pre-tax profit increased from £331,000 to £823,000 for the 12 months ended July 31 1990.

Mr Tony Mack, chairman of the Gatwick-based largest air charter broker in Europe, said there had been an upward trend in the charter of executive aircraft and the ad-hoc charter of commercial airliners; while a substantial increase in sales came from the less developed areas, particularly sub-chartering, general sales agencies and consolidations.

He was disappointed with the fourth quarter, which did not meet expectations. However, the current year had started with business well ahead; the Gulf crisis had meant substantial charters to the Middle East.

Turnover in the year grew to £13.43m (£10.48m) but operating profit declined to £552,000 (£645,000) as development costs hit margins.

Earnings dipped to 6.2p (6.65p) per share. The final dividend is 1.4p for a total payment of 2.5p.

House of Lerose lower at £409,000

The general decline in trading conditions affected retail customers of the House of Lerose and meant pre-tax profits of the ladies' fashionwear concern fell by 32 per cent from £605,000 to £409,000 for the first half of 1990.

The directors said that in the UK the squeeze on consumer spending had resulted in customer shop closures and order cancellations of bad paying accounts with adverse effects on volume and margins.

This had also affected trade in the Netherlands where there had been a decline in turnover in both garments and printed fabrics.

Particular emphasis was being placed on securing margins and guaranteeing quality in addition to maintaining tight overhead control. The company was also currently reviewing its trading prospects in the Netherlands to ensure that organisation there would meet its requirements in post 1992 Europe.

After tax of £143,000 (£214,000) earnings per 25p share fell from 6.9p to 4.7p. The interim dividend has been maintained at 3p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims– Avant Computer, Apex Grp., Chesterfield Props., East Rand Gold & Uranium, Forward Technology Inds., Free State Cons. Gold Mines, French Connection, Gerrard & National Hldgs., Gowett Oriental Inv. Tst., [illegible] Pedang Benang Hldgs., Singapore Para Rubber Estates, [illegible]

Finals– Crellon Grp. Hldgs., Fisher (Albert), [illegible]

FUTURE DATES

Interims–

Derby Grp.	Oct. 23
New Throgmorton Tst.	Oct. 25
[illegible]	Oct. 24
Yorkyde	Oct. 22
[illegible]	Nov. 6

Finals–

Bell Bros.	Oct. 31
Greenor	Oct. 25
Harmony Leisure Grp.	Oct. 19

PUBLIC WORKS LOAN BOARD RATES

Effective October 16

Years	Quota loans repaid by EPI†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			12¾			13½
Over 1 up to 2	12⅝	12⅝	12⅜	13⅝	13⅝	13⅛
Over 2 up to 3	12⅜	12⅜	12⅛	13⅜	13⅜	12⅞
Over 3 up to 4	12¼	12¼	12	13¼	13¼	12¾
Over 4 up to 5	12⅛	12⅛	12¼	13⅛	13⅛	12⅞
Over 5 up to 6	12⅛	12⅛	12⅛	12⅝	12½	12⅝
Over 6 up to 7	12	12	12¼	12½	12½	12¾
Over 7 up to 8	12	12⅛	12¼	12½	12⅝	12¾
Over 8 up to 9	12	12⅛	12¼	12½	12⅝	12¾
Over 9 up to 10	12⅛	12⅛	12¼	12⅝	12⅝	12¾
Over 10 up to 15	12¼	12¼	11⅞	12¾	12¾	12⅜
Over 15 up to 25	12	11¾	11½	12½	12¼	12
Over 25	11⅝	11½	11⅜	12⅛	12	11⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCIAL TIMES SURVEY

INTERNATIONAL MERGERS & ACQUISITIONS

Thursday October 18 1990

Recession is looming in the US and UK and finance-driven transactions have drawn to a virtual standstill. However, as Guy de Jonquières and Stephen Fidler discover, this does not mean corporate acquisitions will become a thing of the past

Quieter times for the future

THE INTERNATIONAL mergers and acquisition wave that grew out of the furious credit expansion of the 1980s has slowed significantly. The demise of the junk bond market and the growing unwillingness of banks to provide credit have ensured that the financially-motivated transactions so common in the late 1980s have come to an abrupt halt.

In the US and UK, where much of the merger and acquisition activity has centred, the economies appear to be tipping towards recession. This translates into generally weaker corporate cash positions and a less promising economic backdrop for acquisitions.

Stock markets are reflecting both the risk of economic slowdown and the uncertainty which has followed Iraq's invasion of Kuwait and the subsequent sharp rise in oil prices. Weak equity markets – while they value potential target companies more modestly – also limit the ability of bidding companies to finance acquisition through share issues.

All this will not be particularly welcome for those in the corporate advisory business. Many houses on Wall Street, in the City of London and elsewhere had geared themselves to a business where they saw themselves earning generous fees without a large risk to their own balance sheets.

Data compiled by KPMG International with New York-based IDD, confirms cross border M&A activity in the first nine months of this year slowed from 1989's record pace but was still running at a rate comparable with 1988.

It estimates that cross-border M&A totalled $87.5bn in the first nine months, compared with $130.6bn in the whole of last year and $119bn in 1988.

But since then the Gulf crisis has meant a large number of potential acquisitions have been delayed or cancelled. "I think we're all going to see a difficult year or two," says Mr John Nelson, head of the M&A group at Lazard Brothers in London.

The end of transactions driven purely by finance will almost inevitably mean that the average size of corporate acquisitions will shrink. But their demise does not mean the corporate acquisitions will fade away.

Indeed, it has concentrated attention once again on the kind of strategic issues which have long motivated corporate acquisitions and divestiture. The perceived need to concentrate on core businesses and the opposite desire to diversify both in products and in geographic reach remain.

Many companies still do not believe they are appropriately positioned for the single market in western Europe, while east Europe will open up opportunity – along with significant difficulties – for others. The need for some companies to reduce debt has been heightened by the events of the 1980s.

Nonetheless, the impact of the M&A wave in the US and Britain will continue to be felt for some time. It still has some momentum left and it has had important economic, industrial and political consequences which will shape developments over the longer term.

Three elements point to continued M&A activity, at least in the short term:

- Rising interest rates, weaker financial markets and poorer economic outlook, which have dampened activity since last year, are obliging acquirers who over-reached themselves to reduce debt by shedding assets. This will assure at least a steady trickle of deals, albeit sometimes at distress prices.
- Prospective privatisation of a wide range of state-owned assets, notably in Eastern Europe. Although timetables in many cases remain uncertain, the worsening economic situation in much of Eastern Europe may increase pressure to speed up asset sales.
- Continuing interest in M&A on the continent of Western Europe, where economies remain relatively strong and some barriers to hostile bids seem gradually to be eroding.

One recent pointer is the battle by Pirelli of Italy for control of continental, Germany's largest tyre-maker, apparently with the acquiescence of the latter's main banks.

Nonetheless, predatory bids seem likely to remain the exception on the continent, where many companies prefer friendly deals, often involving partial shareholdings rather than a full merger. Even when acquiring in the UK, few continental companies have mounted hostile takeovers.

Though cross-border deals within Europe have grown in importance, there is a clear a distinction between objectives in the Anglo-Saxon countries and in most of Europe and Japan.

Deals in the English-speaking world, and above all the US, have been heavily influenced by financial criteria. But in other countries, there has been more emphasis on longer-term industrial logic, such as building world market share.

How successfully such logic is implemented remains to be seen. However, it is powerfully underpinned by fundamental shifts in the structure of the world economy which have both contributed to - and been accelerated by - the latest wave of international M&A.

The most important factor has been "globalisation" of markets for many products and services, which has prompted companies to expand their international market presence. In the European Community, the trend has received additional impetus from the 1992 single market programme.

By the same token, the need for larger scale economies in many sectors, particularly high-technology industries, has forced companies either to expand beyond their traditional national markets or seek shelter under the wing of stronger partners.

These developments are set against a rapid growth of foreign direct investment (FDI) outflows. These grew by 20 per cent a year for most of the 1980s, four times faster than world trade, as companies shifted increasingly from exports to local production in foreign markets.

Some observers, such as Kenichi Ohmae, the Japanese business guru, argue that these forces have rendered national borders irrelevant and companies stateless. That may be the direction in which events are heading longer term. But the world is not there yet.

The main reason is that political attitudes and policy machinery have conspicuously failed keep up with the rapid internationalisation of business. Indeed, the very increases in capital mobility which have powered the latest wave of mergers and acquisitions are creating a powerful political counter-reaction.

In the US, a succession of large Japanese takeovers has led to an angry nationalistic backlash, which threatens to spill over into discriminatory actions against all foreign investors. Across the Atlantic, the recent takeover of Britain's ICL by Fujitsu has been branded as an act of betrayal by other European computer companies.

Tensions have been aggravated by complaints by countries such as the US and Britain, which have open capital markets, that the international takeover field is uneven. But the issue is complicated by the fact that takeover barriers in many parts of the world are not the result of protectionist legislation, but of culture and capital structures.

The debate is riddled with ambiguities. The British government, for instance, oscillates awkwardly between decrying other countries' takeover barriers and erecting its own. It has routinely bid-proofed privatised companies by means of golden shares, and more recently has invoked merger policy in order to deter unwelcome foreign bids, notably those made by state-owned companies.

Even when nationalism is not an issue, there is a growing risk of problems due to incompatibilities between regulatory policy. There is clear potential for jurisdictional clashes, for instance, between US anti-trust law and the EC's new merger control regulation.

In an increasingly interdependent world economy in which competition for capital is intensifying, it is against the ultimate self-interest of individual governments and countries to pursue defensive political motives to the point of conflict.

However, that realisation may take time fully to sink in. For the foreseeable future, therefore, the balance seems likely to see-saw between the onward rush of global economic forces and the often parochial reactions to which they give rise at a national and regional level.

IN THIS SURVEY

Economic doubt is slowing US bid finance, writes Martin Dickson

Merger mania grinds to halt

A COMBINATION of the Gulf crisis and mounting concern that the US economy is teetering on the edge of recession has produced, at least in the short term, a state of near paralysis in the financing of US takeovers.

Unless companies have extremely deep reserves of cash, and are making strategic purchases for the very long term – qualities which apply particularly to large Japanese companies – few are prepared to launch bids in such an uncertain climate.

First, the steep slide in US share prices since the Iraqi invasion of Kuwait, and the possibility that prices will go lower still, means that potential purchasers are reluctant to buy a company if they think they can pick it up more cheaply later. By the same token, companies which want to offer shares as payment for a deal are finding it very hard to persuade sellers to accept them.

And doubts about the strength of the economy and companies' ability to service borrowings are restraining the use of bank debt in bids and ruling out the use of junk, or high yield bonds.

This is all a dramatic change from the 1980s, when Wall Street's merger mania was fuelled by the rise of the junk, or high yield, bond market. In a typical bid of this era, a predator would make an all cash offer for a company, or a mixture of cash and debt securities. It would finance this through a mix of bank debt and a bridging loan from an investment bank – a line of credit which would be refinanced through the use of junk bonds.

But the collapse of the junk bond market a year ago closed that avenue of financing and, with high yield indices hitting new lows, it remains firmly shut, despite expectations on Wall Street earlier this year that the autumn might see a recovery in the market.

Such hopes always seemed pretty slim, with the US economy slowing and the problems of heavily indebted companies mounting. And the Gulf crisis, bringing with it great new uncertainties, dealt a final blow to any revival.

Figures from IDD, the research company, show that in the first nine months of this year US companies raised only $1.3bn in junk, compared to $20.3bn in the same period of last year.

With junk out of the picture, the financing of deals must depend on more conventional forms of borrowing – either commercial bank loan facilities or investment grade bond issues – and the issuing of equity.

Commercial banks are *still* keen to lend to the right borrower, but with their bad debt provisions mounting, and with US regulators giving very careful scrutiny to their loan portfolios, the banks are being very circumspect as to what constitutes a good risk.

Lending to a blue chip company buying a business in a core area of expertise would come into this category, while highly leveraged transactions, where a purchaser borrows most of the money used to purchase assets, would not.

Certainly cash – whether borrowed or from a company's own resources – will continue to be the predominant form of funding for deals in the US, as it has been ever since the 1960s.

Equity will play a subsidiary role, but one which could become more prominent in the 1990s when the worst of the current bear market is passed. In the second half of the 1980s, common and preferred stock provided only around 12 per cent of bid financing.

Circumstances where equity can play a significant role include agreed mergers between two large companies, particularly where there is no obvious predator to launch a rival cash offer.

A particularly important precedent which could encourage equity deals was set by the merger last year of media groups Time and Warner. Time rejected an all-cash hostile offer from Paramount Communications and its move was upheld by the Delaware courts, which ruled that the Warner deal did not involve a change of control at Time and therefore its board was not required to consider other bids.

The past few months have seen a $6.2bn all equity offer in the telecommunications sector, with GTE bidding for Contel, while insurance broker Corroon & Black has just rejected a cash offer from Aon Corp, a US insurance holding company, in favour of a lower all-share offer from Britain's Willis Faber.

Continued on Page 2

M&A is taking on global dimensions, writes **Guy de Jonquières**

Wave reflects wider trends

THE GREAT merger wave which reached its full flood in the late 1980s is the fourth this century. Each has been propelled by distinctive pressures and corporate objectives, and each has wrought important transformations in the structure of the world's industrialised economies.

The first wave, at the turn of the century, had its greatest impact in the US and was particularly concerned with suppressing competition. The second was unleashed by the spread of mass-production in the 1920s, and its main aim was to rationalise industries into larger groups enjoying bigger scale economies.

The third, during the 1960s, occurred during an extended period of international economic growth and was closely linked to the rapid expansion in world trade which accompanied it. One of its characteristics was the fashion for conglomerate mergers, exemplified by the frenzied diversification of acquisitive groups such as *ITT of the US.*

The fourth and latest wave has at least some features in common with earlier ones. It has coincided with an unusually long period of economic growth worldwide and with a revolution in industrial technologies. Furthermore, in certain industries, notably those where capacity had long been fragmented by high market barriers, elimination of competitors and the search for scale have also been a source of impetus.

However, three particular and closely-related, characteristics also distinguish the fourth wave:

- The predominant motive for mergers and acquisitions has been to strengthen existing positions in clearly defined core businesses. Furthermore, many highly diversified companies have de-conglomerated, either voluntarily or as a result of external pressures such as hostile leveraged buy-outs.

There are some exceptions, nonetheless. Mr Carlo De Benedetti's cross-border forays have produced a European business empire embracing car parts, high fashion and financial services, while Daimler-Benz of West Germany has recently expanded into defence, aerospace and electronics. But in the US, Ford and Chrysler are busy unscrambling similar diversification moves.

Conglomeration has also *been evident in financial* services, notably in Europe, where commercial banks have rushed to acquire brokers and insurance and mortgage companies.

- International mergers and acquisitions have increased in importance, in two senses. First, the inexorable growth of global competition has led more and more companies to use acquisitions rapidly to achieve a presence in the world's main developed markets.

Secondly, companies from more countries have been buying across borders. During the 1980s, companies from Japan, France and Australia all became – often for different reasons – important international acquirers.

- Capital has grown increas*ingly mobile, due to the dere*gulation of financial markets, the removal of national capital controls and technological advances which have made possible instantaneous communications between the world's main business centres.

The expansion of international M&A is, however, only one particularly visible symptom of broader and still poorly understood shifts in the structure of the world economy which result from the explosive recent growth of foreign direct investment (FDI). For most of the 1980s, FDI flows increased by 20 per cent a year, four times faster than world trade. In 1988 FDI outflows from the world's five leading economies (G-5) – the source of most of the investment – totalled almost $100bn, and *their aggregate FDI stock* reached $757bn.

GLOBAL M&A ESTIMATES

1989	Number	$ million
All deals worldwide, domestic and cross-border	7,700	355,000
Cross-border M&A	2,764	130,098
Cross-border M&A as percentage of global activity	36%	37%
Thus, domestic M&A as percentage of global activity	64%	63%

Source: KPMG International and IOD

Economically, these developments are speeding international integration and interdependence, at least in the industrialised world. In all G-5 countries except Japan, foreign companies account for at least 10 per cent – and in some cases substantially more – of the total industry sales and are significant economic contributors.

These trends are increasingly calling into doubt the economic significance of the nationality of corporate ownership. For instance, Honda of Japan now exports more cars from its US plant than does the entire US-owned motor industry. The growth of FDI also raises questions about conventional indicators of countries' economic performance.

Dr DeAnne Julius argues in a recent study* that countries' true balance of trade should take account of transactions between their own and foreign companies, both at home and abroad. On that basis, the US would have shown a $57bn foreign sales surplus in 1986, compared with a $144bn merchandise trade deficit.

Politically, however, it is a different story. In many countries, an unusually high level of foreign ownership, particularly in "strategic" industries, is regarded as a threat to national sovereignty.

The inherent contradictions between economic reality and political reactions are increasingly giving rise to tensions. These are particularly evident in the growing popular hostility in the US to Japanese takeovers, which is in danger of spilling over into a backlash against all foreign investment.

Across the Atlantic, Fujitsu of Japan's recent takeover of Britain's ICL computermaker has created a dilemma for the European Community, which has been seeking to strengthen European-owned high-technology "champions" against Japanese competition. Yet much of the new investment in EC electronics plants is being made by Japanese and US companies, not European ones, many of which are shifting production out of Europe to low-cost locations in Asia.

There is a danger that these developments could lead to a rash of defensive policies, designed to frustrate unwelcome foreign bids. In the US there are growing pressures to use national security and federal anti-trust rules to shelter sensitive parts of industry from foreign takeovers.

Even if such overtly protectionist pressures are contained, conflicts may still arise from the failure of national policies to keep pace with international economic developments. Competition policy is one obvious area of potential discord.

For instance, the US, which has well-developed anti-trust laws, complains that Japan's weak regulations create an uneven competitive playing field. Furthermore, the scope for jurisdictional conflict is increasing: the EC's new merger regulation could theoretically be used to intervene even in mergers between two companies with most of their business outside the Community.

Some of these potential difficulties may be avoided by closer international co-ordination and harmonisation of rules. But where countries deliberately manipulate policies to discriminate against foreign investors, the only corrective may be the realisation that such manoeuvres either are ineffective or damage the national economic interests they purport to serve.

* *Global Companies and Public Policy; Royal Institute of International Affairs.*

Pressure for restrictions rises

US tightens up the reins

THE GROWING unpopularity of takeovers among American politicians has led to growing pressures – both at Federal and state level – for restrictions on acquisitions, especially by foreign companies.

As is so often the case, the political reaction to the wave of takeovers, and particularly the leveraged buyouts, of the 1980s has come just as the markets have applied their own correction. The number of mergers, both by US and foreign owned companies, has dropped sharply this year.

With the collapse of the junk bond market and the disappearance of Drexel Burnham, many of the more controversial features of the late 1980s' takeover wave have disappeared.

While Congress has not pushed some of the ideas floated last year for dealing with leveraged buy-outs, other proposals have advanced which would restrict contested takeovers.

The most significant are at a state rather than a Federal level. Within the past 18 months nine state legislatures have passed laws making hostile takeovers more difficult, so that there are now voting restrictions on larger shareholders in two dozen states – mainly in the rustbelt of the north-east and the Midwest where concern is greatest about preserving manufacturing jobs.

Most of these laws have been in response to particular threats to companies based in their states. For instance, in Pennsylvania opposition to a takeover approach by the Belzberg family of Canada for Armstrong World Industries, a home products business locally based in Lancaster, led to the passage of highly restrictive legislation. This was in spite of the opposition of the Securities and Exchange Commission (SEC) and institutional investors, including Pennsylvania's own State Employees' Retirement fund.

The Pennsylvania law would require any person or investment institution which owned more than 20 per cent of a company's shares for a period of less than two years to forfeit any profit on shares that were sold within 18 months of a failed buy-out or proxy fight.

Britain remains the largest direct investor in the US

Apart from this attack on "greenmailers" the measure also restricted the rights of any group of investor who buys 20 per cent or more of a company's stock to change control without the approval of the remaining shareholders. Mr Richard Breeden, the SEC chairman, has argued that this law would disenfranchise shareholders and leave incompetent managers free to run a company into the ground. Various shareholder ginger groups have put pressure on company boards to opt out of such restrictive laws like these.

The activism of state attorney generals over takeovers has been reinforced by two other factors – a reaction to the relative passivity of the Reagan era Justice Department in enforcing anti-trust law, especially against mergers; and a series of Supreme Court rulings which have upheld state rights to greater involvement in anti-trust cases even when the Federal authorities have chosen not to intervene. While there has been a shift back to a more mainstream interpretation of anti-trust law by the Bush Justice Department this has mainly been aimed at anti-competitive practices by existing companies, rather than against mergers.

The political hostility to takeovers has applied especially to those by foreign owned companies. This has applied in particular to Japanese acquisitions, even though Britain remains by far the largest direct investor in the US with nearly $125bn in assets at the end of last year (at book value) against $69bn for Japan.

While the US has become more reliant on foreign capital because of its continuing budget deficits, there has been a parallel concern that this threatens America's long-term economic security. Congressional leaders, of both parties, have been particularly worried about the transfer of advanced technologies overseas, citing the successful Japanese takeover of much of the US consumer electronics and semi-conductor industries.

These pressures have been reflected in calls to tighten up the Exon-Florio provisions of the 1988 Trade Act under which purchases of US companies by foreigners can be reviewed by an inter-agency group, the committee on foreign investment in the US (Cfius). This advises the president on whether to ban or suspend a deal if evidence is found that an overseas investor might take action to threaten national security.

There is acute hostility towards overseas investors

Since the strengthened provisions came into force in August 1988, Cfius has reviewed over 450 deals. To date an extensive inquiry has been undertaken 11 times. In three cases the parties withdrew the deal, and in only one case (involving the takeover of Mamco, an aircraft parts producer in Seattle by Catic of China) has the president exercised his statutory rights to block the acquisition.

While the Cfius staff in the Treasury are generally reckoned to have handled the law fairly, there have, however, been worries about the increased politicisation of the process. Congress and some departments such as Commerce and Defence have pressed for a strengthening of the provisions to include economic and industrial policy criteria within the national security definition. By contrast, foreign investors have been worried about the uncertainties in the current definition.

Other restrictions affecting foreign acquisitions have included closer enforcement of tax laws by the Internal Revenue Services (particularly aimed at the transfer pricing practices of Japanese and Korean distributors), limits on the political activities of foreign controlled companies (especially important in a country where open lobbying is so significant) and increased data collection requirements.

The Bush administration has generally resisted these attempts to put new controls on foreign investment. And both because of its commitment to free trade and because of the US's dependence on inflows of foreign capital, the administration has pursued an open investment policy. Moreover, at the state level, there are many more governors seeking new foreign direct investment with offices in Europe and Japan than there are opponents to acquisitions.

Yet, reflecting the national unease about the US's long-term competitive position, there is an ambivalence about takeovers, particularly from abroad.

Peter Riddell

Merger mania grinds to a halt

Continued from Page 1

Equity can also win the day when it is simply better than getting no bid at all. This was the case in the recent bid by Ratners, the UK retail chain, for Kay Jewelers, a troubled company which some analysts had feared might be heading for the bankruptcy courts.

Management buy-outs are also tending to include more equity relative to borrowings as financiers grow increasingly nervous about companies' ability to service large debt mill-stones.

For example, the unions who set out last April to stage a $4.4bn employee buyout at United Airlines found that the banks who were contemplating backing the deal wanted to see some sizeable outside equity investors involved.

All of this means that, while takeover financing in the US may be generally harder to organise in the current climate, funds will still be readily available for international mergers and acquisitions – both for firms buying into North America and US firms buying abroad.

For this type of deal is dominated by the large, blue chip companies which retain excellent credit ratings and which will continue to find their equity in demand as fund managers portfolios grow ever more international.

That said, they will still need to have strong balance sheets and be able to tell a good story: their acquisitions will have to make good strategic sense.

However, since studies show that most firms who are buying abroad tend to stick to the businesses that they know best, a reasonable flow of international deals should continue over the economically uncertain next year or two.

Martin Dickson

MERGERS & ACQUISITIONS 3

Various motives lie behind cross-border operations in Europe

Ventures without frontiers

IN THE 1980s Europe discovered the art of the cross-border deal. The 1990s are likely to show how well it was mastered, and whether the recent growth of transnational mergers is creating a more dynamic, closely integrated industrial economy in Europe – or storing up problems for companies and regulators.

Although the trend is often ascribed to collective anticipation of 1992, the truth is more complex. The "1992 effect" has facilitated cross-border mergers and brought more operators into the game. But a wide diversity of other motives is at work, many of which pre-date the the European Community's single market programme.

The impression of a Europe consumed by merger fever also needs to be put in perspective. In reality, British and American companies have made much of the running, initiating more than 40 per cent of all cross-border mergers between 1986 and 1988.

Some observers, such as the authors of a recent London Business School report, have concluded that talk of the widespread rationalisation of industries into genuinely pan-European groups is greatly overdone. However, industrial integration is also proceeding across borders – and particularly on the continent – by means of links such as joint ventures and minority shareholdings, which are growing much faster than full mergers.

The cross-border merger trend really started in the early 1980s, pioneered by Electrolux of Sweden, which snapped up a string of troubled smaller European competitors in white goods. Its example was soon followed by Mr Carlo De Benedetti, the Italian financier-industrialist, who launched a succession of bold cross-border deals climaxing in his failed bid for Belgium's large Société Générale holding company in 1987.

What both Electrolux and De Benedetti spotted was that Europe was awash with poorly-performing corporate assets which had remained under-valued because they were thought to be sheltered by national barriers against foreign takeover. By promising superior industrial management, both acquirers overcame local resistance and set about rationalising their network of acquisitions to good effect. Since then, others have learned to play the same game.

In some other industries, mergers reflected a pronounced shift away from conglomerate structures and a realignment on core businesses. Several hundred changes of ownership have occurred in the European chemicals sector since the early 1980s, as companies traded peripheral activities across frontiers.

In other sectors, notably those which have depended heavily on monopoly purchases or support from governments, the driving motive has been the need to achieve scale economies which closed home markets could no longer provide. Pressures have been particularly intense in high-technology sectors such as telecommunications, semiconductors and computers, and are increasingly becoming so in defence.

Here, cross-border mergers have tended to be preceded by a consolidation at the national level. That has been the case in telecommunications and semiconductors: in each industry, the number of European-owned competitors has been progressively thinned.

In food-processing and banking – industries where scale economies of production are small to non-existent – the factors are different again. In food, the main reason has been to secure established brands and distribution networks. In banking, a high priority was placed initially on building a Europe-wide retail presence, although the few big cross-border deals in the sector to date suggest that this goal proved either hard to achieve or was judged not worth pursuing.

Finally, of course, there has been a number of mergers in which industrial logic has taken second place to sheer opportunism or to the purely defensive impulse of "Buy or be bought".

This disparate pattern raises a number of questions about where the merger trend is leading. They include:

● How far are cross-border mergers in Europe intended primarily to build a presence in the future single market? Ironically, such reasoning seems most clearly evident in deals initiated by companies from outside the EC – notably from the US, Japan and latterly Sweden – which are anxious to secure bridgeheads in the Community and to safeguard against loss of market access after 1992.

However, as the London Business School study points out, many deals initiated by EC-based companies have been concentrated in immediately adjacent countries. That suggests a certain caution about pan-European expansion.

● How easy will cross-border mergers prove to manage? Much has been made of the differences in business practice, management culture and laws and regulations which separate European countries, and of the challenge of surmounting them.

Two years ago, the proposed merger between Belgium's Société Générale de Banque and the Dutch Amro was abandoned because of the problems of integrating the two banks, while the much-publicised recent merger of the packaging businesses of Carnaud of France and Britain's Metal Box is reported to be experiencing serious management teething troubles.

Disappointing financial results this year from groups such as Electrolux and Rhône Poulenc, which have been active cross-border acquirers, also suggest such deals have created a certain amount of corporate indigestion.

None the less, some analysts suggest that many companies are pursuing more clearly thought-out strategies than in the past. More appear to be intent on strengthening core businesses in which they already have expertise than on more speculative conglomerate diversification.

● How far will cross-border mergers contribute to increased industrial competitiveness and efficiency in Europe? It is obviously hard to generalise, particularly as conditions in different industries vary so widely.

In some sectors such as retailing and computing, there have been almost no cross-border deals to date, while in the automotive sector activity has so far centred largely to commercial vehicles and specialist car producers.

In principle, the sectors which should gain most from rationalisation through mergers are those where long-standing market barriers and "national champion" policies have resulted in highly-fragmented industry structures, sub-scale producers and excess capacity. A merger-driven shakeout has occurred in many of these industries in Europe.

But while cross-border mergers and acquisitions can eliminate marginal capacity, the bigger scale economies often used to justify such deals can prove elusive. None of the three European-owned semiconductor makers, for instance, is yet anywhere near to earning the profits needed to fund the huge investments required by the business.

Some European cross-border mergers of the 1980s were also inspired less by the prospect of a single European market than by frustration at the seemingly impenetrable barriers surrounding national markets.

That was clearly the case in the telephone exchange business, where most European contracts are still placed with favoured local suppliers by national monopolies.

More recently, many proposed mergers and alliances between leading European airlines look suspiciously like mutual non-aggression pacts intended to pre-empt the advent of freer competition by securing dominance over traditional markets.

The line between salutary rationalisation and unhealthy cartelisation can often be a fine one, particularly when restructuring is being driven as much by deep, long-term changes in individual industries as by the prospect of a single European market.

But ultimately, the efficiency and commercial performance of many European industries may depend less on their size and particular structure than on the conditions in the markets in which they operate. Those in turn will be governed by the nature of competition – from outside Europe as well as from within it – the pace of liberalisation and the vigilance of European anti-trust authorities in keeping markets open to new entrants.

Guy de Jonquières

EC to exert new powers

SINCE LATE last month, a new and still uncertain influence has arrived on the European mergers scene in the form of the European Community's merger control regulation.

The regulation requires all mergers and certain joint ventures to be notified in advance to the European Commission if the companies involved have annual sales of Ecu5bn (£3.48bn) or more and each of them has sales in the EC of at least Ecu250m.

Brussels has the authority to compel disclosure of information, to block mergers and to fine companies which do not comply with the rules.

The Commission, which has fought 17 years to secure these powers, claims they will clarify an area of growing legal imprecision by delineating the borderlines between EC and national jurisdiction over mergers.

It argues that the regulation will establish a "one-stop shop" for large deals. The aim is to free companies from the risk of double jeopardy arising from conflicting rulings handed down by anti-trust watchdogs in Brussels and in EC member states.

However, many legal experts are unconvinced. They say the regulation is marred by the political horse-trading required to secure agreement on it, and that the resulting compromises in its drafting could create as much confusion and uncertainty as it resolves.

The main points of controversy include:

● Whether the scope of the regulation is too narrow – or too wide. Critics argue that the Ecu5bn sales threshold is too high and too blunt an instrument to catch anti-competitive mergers in niche markets. The Commission wants the threshold lowered to Ecu2bn from 1994.

The regulation also contains some specific exceptions. For example, it allows EC governments to intervene in cases within the Commission's purview when they believe a "legitimate interest" is at stake.

However, the stiff penalties for ignoring the regulation may constrain some companies still to seek clearance both from Brussels and from their national authorities.

● The criteria to be employed. The regulation requires them to be judged on the basis of competition, but also allows the Commission to take account of a range of other, loosely-defined, social and economic factors.

● The Commission's fitness to enforce the regulation. Some lawyers fear the special EC task force set up to police mergers will be too small to handle a heavy case load.

Questions have also been raised about whether, as a political body, the Commission will find it possible to maintain strict impartiality in reaching decisions on mergers.

Some lawyers would like a European cartel office to be created, independent of the Commission. The Commission replies that such a body would be exposed to the same political influences to which it is itself subject.

EASTERN EUROPE

Investment slow to materialise

AS THE mantle of communism has fallen from Eastern Europe, foreign investors remain poised to grasp the opportunities economic restructuring may hold out to them. But actual investment has been slower to materialise than the hyperbole first suggested.

While 98 per cent of companies in Western Europe surveyed by DRT International, the accountancy firm, say they will be investing in Eastern Europe in the next decade if they are not already, that interest is expected to be extremely slow to turn into ready cash for joint ventures and acquisitions.

What holds companies up from committing themselves to invest in Eastern European enterprises is the tangle of bureaucracy that must be waded through before a commercial decision can be made. At the same time, western companies are by no means certain that these countries have now settled down politically.

In looking at Eastern Europe as a whole, companies discriminate quite carefully between individual countries. Broadly speaking, "the opportunities are greater the closer you are to Western Europe, and the further east you go, attractive investments are more difficult to find," according to Mr Kevin Pakenham, chief executive officer of John Govett, the investment firm which launched a $100m Hungary fund in February.

In DRT International's study of 128 European companies' investment plans, UK companies cited Hungary as their most favoured investment destination, while other European corporations put East Germany first and were equally interested in the USSR.

Hungary has just formalised its privatisation programme which involved the recent publication of a list of 20 companies, earmarked for sale by the state, with a code of rules to follow. This comes after the country's process of spontaneous privatisation raised strong domestic objections.

Up until now, companies putting themselves up for sale have been required to obtain permission from a local court to transform themselves into a joint stock company before being able to sell shares to foreigners.

However, this policy quickly brought cries of a "sell-out" from Hungarians concerned that local managers were lining their pockets by selling shares to foreigners at knock-down prices. The 20 companies on Hungary's current privatisation list will be sold by a combination of domestic share offerings and the sale of some stock to overseas investors.

Hungary is the country in the region that is farthest along in its bid to draft rules for privatising industry. However, it has only just tackled one of the biggest hurdles to investment in the entire region and that is the question of land ownership.

Many countries are still toying with the idea of land ownership reverting to the owners who held it before it was appropriated by state enterprises under the previous communist regimes. Last week, the Hungarian government finally defeated such a proposal, which had raised hackles across the country.

When Telfos Holdings, the UK rolling stock manufacturer, established its joint venture with Hungary's Ganz engineering firm early last year, it decided to avoid the problem of land ownership by not buying state-owned land.

Initially, the company had to negotiate a realistic price for its 51 per cent stake in a joint venture with a group of banks which owned Ganz' assets after the company had gone into bankruptcy. The banks were looking for a sale of assets to cover the price of the defaulted loans to the company.

After contributing £2m in cash as well as an injection of technology, Telfos began running the enterprise early this year. The UK manufacturer then had to put through a painful restructuring programme to bring the Hungarian enterprise in line with western ideals on profitability.

It halved the Hungarian workforce from 1,500 to 700 and forced the state railway to re-negotiate its purchase price for locomotives which saw the railway essentially having to pay a lot more money for the same product.

The joint venture is now making a profit, but Mr Beaumont expects it to take a long time before it is up to western standards and in a position to compete in world markets. Nevertheless, Ganz is an invaluable foothold in Eastern Europe for Telfos from which it hopes to branch out into possibly Czechoslovakia and the USSR.

Telfos' move into a traditional engineering sector in Eastern Europe does not mirror the plans of many western companies which are mainly interested in investing in tourist facilities across the region as well as the brewing industries of Poland and Czechoslovakia.

Some western companies have targeted Poland because of its long history of private enterprise in different sections of the economy, but the government has offered a much less liberal regime for foreign investment. Foreigners are allowed to acquire only 10 per cent of the shares in a Polish enterprise after which they need specific approval.

In the region as a whole, Czechoslovakia has probably been the slowest to draft privatisation proposals. In addition, its leading companies are often fairly successful without western aid and while willing to join marketing link-ups, will probably prove reluctant to offer themselves for sale.

With good legal help, there are many opportunities for western investors in Eastern Europe, but companies should expect to draw on funds of patience before getting anything done.

Deborah Hargreaves

Managers increasingly are putting their plans on hold, **writes Stefan Wagstyl**

Japan pulls back

Japanese acquisitions and mergers: number of transactions	1986	1987	1988	1989	1990*
Japanese buyer/ Japanese seller	226	219	223	240	199
Japanese buyer/ overseas seller	204	228	315	405	292
Overseas buyer/ Japanese seller	21	22	17	15	12
TOTAL:	451	469	555	660	503

*First eight months
Source: Yamaichi Securities

THE GULF crisis, turmoil in the Japanese financial markets and concern about world economic slow-down is hitting Japanese interest in overseas mergers and acquisitions.

Groups still regard buying foreign companies as a key part of their corporate strategies, witness Fujitsu, the computer-maker's, purchase of a controlling stake in Britain's ICL for £743m and Matsushita Electrical Industrial's cautious entry into talks with MCA, the US entertainment group, over a possible $6bn-plus deal.

But Japanese managers are *increasingly deciding to postpone* their quests until the economic outlook becomes less unpredictable. Mr John Schlesinger, managing director in charge of investment banking at the Tokyo office of Salomon Brothers, the US investment bank, says: "Lots of companies are putting their M&A plans on hold for the moment. They're trying to figure out what's going on in Iraq. They're in a position of pulling back from anything which would divert management attention from their basic business."

Aside from the crisis in the Gulf, these reasons include high interest rates, increasing fears of a recession in the US and concern about a modest slow-down next year in the Japanese economy. Also, Japanese companies have been affected by the drop in merger and acquisition activity inside the US, the prime overseas target country.

The number of cross-border deals completed by Japanese companies has not yet fallen – a testimony to the strength of underlying interest – but the speed at which they have been increasing has slowed.

According to Yamaichi Securities, the Japanese stockbroker, Japanese companies bought 226 foreign groups in the first six months of 1990, compared with 405 in the whole of last year and 315 in 1988. Among 160 deals for which prices were disclosed, the average was Y6.56bn, down 41.7 per cent from last year.

This decline is largely a reflection of the fact that several large deals were completed last year, including Sony's record-breaking acquisition of Columbia Pictures Entertainment, the Hollywood studio owner, for $3.4bn.

If Matsushita decides to go ahead with the acquisition of MCA, in a deal which closely mimics Sony's in commercial logic, and if the company pays anything like the price suggested by analysts – $6bn or more – the purchase would rank as the biggest-ever by a Japanese company. As things stand, the largest deal completed so far this year has been Fujitsu's purchase of 80 per cent of ICL.

Japanese companies are increasingly wary of the political impact of large acquisitions, particularly after Sony's purchase of Columbia last year prompted a wave of protests in the US, which was aggravated by Mitsubishi Estate, the property company's, acquisition of a stake in the Rockerfeller Centre in New York. In the UK, the ICL sale aroused concern because the company was the *last British-owned mainframe* computer maker.

Bankers believe Japanese groups are also more careful than they were about the prices paid for acquisitions – responding to higher interest rates and to comment that Japanese buyers have on past occasions over-paid.

For example, it is now two years since Bridgestone, the largest Japanese tyre company, bought Firestone Tire and Rubber for $2.6bn. The company underestimated the problems involved in improving Firestone's performance and now does not expect Firestone to stop losing money until 1992.

But these worries will not *necessarily blight smaller deals* priced up to $1bn, still less those valued under $100m, which account for the bulk of transactions. Even large Japanese companies often prefer transactions of this scale since they are more easily integrated.

Also this year, Matsushita completed an acquisition of an entirely different scale from the one it has recently been considering in MCA: the purchase of a 25 per cent stake in Loewe Opta, a privately-owned German television maker.

As the Sankyo and Matsushita deals show, Japanese companies are more interested than ever in European acquisitions. Bankers who first detected an upsurge in interest in Europe two years ago say that even though general interest in mergers and acquisitions has waned this year, the relative interest in Europe is still growing. According to Yamaichi, during the first half of this year, Japanese purchases in Europe accounted for 25.7 per cent of total foreign company buyouts, compared with 13.7 per cent in 1986.

Japanese companies want to invest in Europe to establish themselves before the market integration of the European Community in 1992.

Also, many companies already well placed in Japan and the US, see Europe as an essential third leg to their groups. The UK continues to be the main focus of Japanese interest, partly because so many Japanese companies are already established in Britain and partly because relatively open capital markets encourage outsiders to invest.

But the continent is becoming increasingly attractive, especially post-unification Germany. While large public com*panies are rarely offered for* sale on the continent, Japanese companies are finding willing partners in the owners of private companies, often entrepreneurs who established businesses after the war and now, nearing retirement age, find that their children do not want follow in their footsteps.

JAPAN

Attitudes change

JAPANESE PRACTITIONERS of mergers and acquisitions may still be unwelcome in the penthouse. But one thing is for *certain, they are slowly but* surely leaving the doghouse.

Spurred by demographics, tax changes, financial deregulation, and a new generation of managers, M&A in Japan is increasingly viewed as a necessary evil.

"Ten years ago M&A players were viewed as being just plain bad", says Mr Rikio Takezawa, joint general manager of the Sanwa Bank Ltd's M&A department. "Today they still are not necessarily respected, but they are seen as being smart."

It is doubtful that M&A in Japan will approach the level of acceptance reached in the US or even the UK. Companies are not "put into play". Tender offers and management buyouts are virtually nonexistent. And hostile takeovers, while increasing, are still frowned upon.

"Being acquired has traditionally meant a great loss of face," says Mr John Schlesinger, managing director of Investment Bank for Salomon Brothers East Asia Ltd. "I think that its slowly changing, but the sensitivities are still there."

Overseas acquisitions by Japanese companies, or "in-out" transactions, still outnumber and outvalue domestic "in-in" deals. According to The Long Term Credit Bank of Japan Ltd, in-out transactions for the first of 1990 totalled 226, compared to 147 in-in deals.

Moreover, the average in-out transaction was worth over $43m, compared with $6.8m for in-in deals.

M&A is increasing in Japan for a number of reasons:

- Entrepreneurs who established small businesses after World War II are nearing retirement with no successor, necessitating some form of takeover. Japan's high inheritance taxes have furthered the trend as surviving family members seek to avoid burdensome inheritance levels by shifting the ownership of assets.
- Many companies and private investors have used M&A to enter Japan's lucrative real estate market. Since capital gains on the sale of stock are half the level of normal asset sales, including land, many companies have been established soley to purchase land-rich firms.
- M&A is increasingly being used to cement strategic alliances, particularly in the restructuring construction, pharmaceutical, retail-stero, and food industries.

Faced with a growing labour shortage, large supermarkets chains have been actively acquiring medium-and-small food retailers, partly for the smaller enterprises workers.

Using M&A to secure labour is particularly attractive for foreign firms.

"Foreigners need manpower," says Mr Yusho Yamamoto, general manager of the M&A division of LTCB. "M&A is one way of getting it." Yamamoto and others, however, caution against foreign companies entering into hostile takeovers of Japanese firms, which are extremely wary of unsolicited approaches, particularly from foreigners.

In an attempt to ward off hostile bids, the Ministry of Finance has drafted a law requiring extensive disclosure when 5 per cent of a firm's shares are purchased, instead of the current 10 per cent.

In addition, an advisory panel to the Ministry of International Trade and Industry recently recommended that corporate ownership laws be rewritten to allow firms to more easily increase share allotments to help defend against takeovers bids.

Because of these factors LTCB advises foreign companies wishing to take over a company to gradually increase their capital participation.

"Companies should first get to know each other," says Mr Yamamoto.

Whether friendly or hostile, foreign acquisitions of Japanese firms ar unlikely to increase soon. Exorbitant price/earnings ratios and extensive cross-shareholding arrangements among "friendly" companies make it extremely difficult for foreign purchasers to enter the market.

"If 70 per cent of a company's shares are locked up with the keys thrown away, what good is acquiring the rest?" asks Mr Schlesinger.

Regardless of the speed with which M&A takes hold, Japanese and foreign financial institutions in Tokyo have established substantial M&A teams to take advantages of the potentially lucrative market.

However, of the 50 to 60 banks, securities firms, and financial boutiques involved in M&A Japan, only about a dozen are thought to be making money.

The huge increase in in-out M&A has led to tremendous competition, which in turn has led to newcomers discounting fees.

Alternatively, not only is there relatively less competition in domestic M&A, Japanese intermediaries often act as representatives for both sides, collecting fees from both parties in the process.

"Theoretically there could be a conflict of interest," admits Sanwa's Mr Takezawa. "But in Japan people trust banks."

Such is not always the case with Japanese securities companies. In a corporate culture where securities companies are still viewed with less respect than their more established banking brethern, "city banks" such as Sanawa Surmitomo, LTCB and the industrial Bank of Japan (IBJ) continue to be the preferred choice of Japanese M&A clients. These banks, together with roughly eight foreign firms who basically only participate in "in-out" deals, share the approximately $100m in fees generated in Japan each year.

"Fees are not always clear cut in Japan," says Mr Yamamoto. "If the bank charges low fees, the client may use the bank later."

Derregulation of Japan's easy banking world will only further the process as banks are forced to increase profits.

Ironically, one potential break on M&A activity – higher interest rates – may actually increase the number of deals as heavily indebted small and medium-sized firms seek out large buyers able to weather the storm.

Robert Tomkin

Outsiders are hurriedly trying to buy their way in to the EC, writes **David Waller**

Market focus turns upon Europe

CONTINENTAL EUROPE is awash with investment bankers. Bored of twiddling their thumbs in London and New York, they are now trawling their way from one giant continental corporate to another in the hope of one day stimulating a frenzy of corporate activity.

There are sound, sober reasons why the continent should be receiving all this marketing attention. The European Community's 1992 programme is stimulating reorganisation in one industry after another. Companies outside the EC are trying to buy their way in.

The watershed year was 1988. The EC's Cecchinireport spelt out the need for rationalisation ahead of 1992. The Nestlé bid for Rowntree showed how much companies outside the EC would be prepared to *pay to buy their way in.* Carlo de Benedetti adopted hostile, Anglo-Saxon tactics in his bid for Société Genérale de Belgique.

By this time, a few, prescient investment banks had already started *turning their attentions* to the continent. These included US houses such as Goldman Sachs and Morgan Stanley, spurred on because of their lack of a natural foothold in any of the big domestic mar*kets, and a handful of for*ward-looking UK merchant banks including Schroders and S G Warburg.

But the majority of UK and US investment banks were preoccupied by the growth in *domestic business* which lingered on into 1989, the year of the mega-bid. It is only now, at a time when work in the UK and US has tailed off markedly, that the investment banking community in general is starting to set its sights on continental Europe.

The obstacles match the opportunities, reflecting the different structures of capitalism on the continent as much as cultural and technical barriers. In many of the larger counties, companies have traditionally financed themselves via bank lending rather than the equity markets, and as a result the share of the economies of, say Germany, France, or Italy, which is represented on the equity markets is far lower than in the UK.

A large share of these economies is privately-owned and therefore not in a position to do the rights issues, share-financed takeovers and mergers which are the hallmarks of corporate finance activity in Anglo-Saxon markets. The fabled Mittelstand in Germany, *the tier of Petites et Moyennes* Enterprises in France, and their equivalents elsewhere, in theory have no need for investment banking advice.

Add to that the cultural barriers: businessmen on the con*tinent* are traditionally averse to hostile transactions, opting for agreed deals where possible.

Statistics from organisations such as Translink International, IDD Information Ser*vices and Acquisition Monthly* show that: the number of cross-border deals in Europe rose from 355 in the first quarter of the year to 394 in the second, worth a total of ECU17.8bn (£12.9bn); in the *first quarter, takeovers and* mergers in France were worth more by value than those done in the UK (£6.3bn in France, £6.1bn in the UK); US M&A activity dropped by 43 per cent, while European activity had moved up by 27 per cent.

The sorts of transactions behind these trends include: the two giant bank mergers in the Netherlands (NMB and Postbank, AMRO and ABN); Norwich Union's £200m purchase of a 90 per cent stake in the Spanish Plus Ultra; Generale de Sante's purchase of AMI Healthcare; Deutsche Bank's acquisition of Morgan Grenfell; Philip Morris's purchase of Jacobs Suchard; Credit Lyonnais's L1.1bn takeover of Italy's Credito Bergamasco last year; the £2bn purchase of Plessey by Siemens and GEC.

In May this year, the Swedish Stora group won control of Feldmühle Noble, a German conglomerate, after what was a proplonged, hostile takeover. Continental, the German tyremaker, has rejected a merger approach from Pirelli of Italy.

The last two deals show how Anglo-Saxon tactics are penetrating even the German market.

The share exchange between Guinness of the UK and Louis Vuitton Moet Henessy of France shows how continental-style merger practices are taking root in the UK as well.

Which advisors are best placed to take advantage of these burgeoning markets? Deals fall into three categories: investment into Europe from the US (and possibly vice versa); cross-border transactions within Europe, and strictly domestic transactions.

As a generality, strong domestic houses (such as Mediobanca in Italy, Paribas in France, large numbers of traditional merchant banks in the UK) are not natural international operators, simply because they have been able to keep themselves busy with domestic work.

Continued on Page 5

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Companies are scaling down operations and looking for opportunities elsewhere

Moribund mood on Wall Street sees general switch in resources

WALL STREET may have been the most sophisticated and adventurous market for bids and deals during the 1980s. Since the dawn of the 90s, it has probably been the one of the most moribund.

According to recent figures from IDD, the value of announced deals has fallen by a hefty 47.2 per cent during the first nine months of 1990 from the comparable 1989 levels, to stand at $172.4bn. In terms of completed deals, the reduction has been only slightly less sharp; the first nine months saw $136.4bn-worth of transactions signed off, against $174.5bn in the same period a year earlier.

The causes of this sudden fall-off in activity have already been well-explored. Perhaps the most significant has been the turning off of the debt funding tap, coupled with the collapse of the junk bond financing route. That, in turn, has seriously squeezed the number of leveraged buyout deals, and effectively put an end to the kind of speculative "boot strap" purchaser so prevalent in the late 80s.

Even as recently as last summer, when Wall Street hit new highs, there were some hopes that the downward trend *might at least stabilise as* more traditional acquirers moved to the fore. But since then, President Saddam Hussein, oil prices, and the increased inflationary/recessionary threat have changed the game. Most US investment bankers report renewed caution among industrial clients, who are wary of making any sizable moves while the outlook for their own earnings are so uncertain.

The mood has been exemplified in smaller ways, too. Assets which have been flagged as being up for sale have been slow to shift – witness, for example in the insurance sector, the difficulty *which American General has* had in soliciting suitors, or the extremely lengthy sale of Ambase's Home Insurance subsidiary.

Alternatively, one could point to the torturous efforts by the employee group to get a bid together at United Airlines. One senior investment banker, meanwhile, says gloomily that the auction procedure is rapidly becoming a thing of the past, and that targeting specific trade buyers may generally be a better route when assets or divisions are being put up for sale.

Decline in mergers in the US versus the UK	1988	1989	1990
Number of deals			
Deals in the US*	2,992	2,647	1,487
Deals in the UK	1,834	1,587	952
Value ($m)			
Deals in the US	290,034	219,998	69,443
Deals in the UK	50,276	52,869	21,914

*All sales of US companies to domestic or foreign buyers
Source: IDD

All this has meant some down-scaling of operations by the large M&A firms – or, at the very least, a switch in resources towards deal generation and away from execution – and a search for opportunities elsewhere.

Europe is the clear focus of interest, and many of the investment banks – not to mention the droves of US lawyers who also depend on M&A work for a large slice of their fee income – have centred their energies here.

But breaking into the European markets has not been particularly easy, given the grip *which the UK merchant banks* exert on their domestic market and the still-small volumes of M&A work in some European markets (whatever their future promise).

These factors are coupled with the very different financial cultures, and the natural tendency of directors, inexperienced at the takeover game, decide to seek indigenous sources of advice.

The UK merchant banks – who have had their own problems working out how to cope with the potential which continental Europe may hold – tend to cite Goldman Sachs, followed by Morgan Stanley, as the two most successful US operators.

Lazard Freres, on the other hand, clearly benefits from its links with sister organisations in Paris and London, and the three houses have now combined to form a joint operation in Germany.

One of the most noticeable features about the US banks' trek into Europe has been their tendency to set up satellite operations rather than indulge in the joint venture route, an option far more popular with the UK/Continental institutions.

Breaking into the European markets has not been easy

The only exceptions have been the smaller, boutique operations such as Gleacher & Co, which formed an alliance with Morgan Grenfell, or Blackstone Group, with ties to both Hambro Magan in London and Banque Indosuez in Paris.

The extent to which the vast bulk of the US banks' domestic client base may be interested in the European market remains a moot point, however. On the one hand, a recent study by KMPG Peat Marwick suggested that about half of a 700-strong sample of large and medium-sized companies *planned significant new investment* in Europe.

Privately, a number of investment bankers remain more sceptical about the volume of acquisition work which will result.

A chief executive in Cleveland, runs the argument, may pay more than a passing glance at the possibility of European expansion – a decided change from his attitude five years ago – but once the realities of acquiring and running companies in non-speaking markets loom, there is still a considerable amount of resistance to the idea.

Interest, suggests one senior banker, will probably remain heavily weighted towards the multinationals – generating the bid-fee deals, such as Philip Morris' acquisition of Nestlé.

One of the features of the US banks' trek into Europe has been their tendency to set up satellite operations

What is far more perceptible at present, is interest in the other direction. Many of the recent deals to hit Wall Street have involved foreign purchasers of US assets – Matsushita/MCA, Trygg Hansa/Home Insurance, Allianz/Firemans Fund, to name only the most recent.

According to IDD, foreign acquirers have announced offers or acquired minority interests in 436 US companies since the start of the year, for a total of $46.8bn. Japan leads the list by a wide margin in terms of number of deals, but is only slightly ahead of the UK and France in value terms.

And since the M&A business in the States remains firmly cornered by the domestic investment banks and foreign operators have made no inroads of significance, advisory work on this score has proved a welcome source of income in these leaner times.

Nikki Tait

The international flood of mergers seen in recent years is now slowing down significantly

THE MANAGERS

In the wake of the honeymoon

THE PROCESS of wooing and eventually marrying a new corporate partner can be lengthy, fraught and often bitter. The next stage, the managing of the newly-acquired assets is often equally tricky, even if it is not being conducted in quite the same frenetic atmosphere, or under the glare of such intense public scrutiny.

The latter "management stage" becomes somewhat more formidable when the companies in question are far apart geographically.

On the one hand, corporate cultures can be more diverse than between two companies with the same "core" nationality. On the other, installing and maintaining systems of financial reporting, assessing capital needs and combining product development and sales forces all face the potential hazards of language differences and sheer travel time.

Drawing any overall conclusion about how companies behave in the wake of international acquisitions is virtually impossible. Behaviour varies with management style and with the size and type of acquisition. On one hand, there is a school of companies who could be described as "practised" acquirers, who have built up dedicated in-house teams.

The so-called hit squad at Williams Holdings, the UK conglomerate, has acquired some reknown, although the company has maintained that its formation came about partly by chance. One early acquisition – Leys Foundries – brought in good management but rationalisation of the company's operations left them little to do. Temporary jobs were found for some of the senior people a while, and steadily the task of managing subsequent acquisitions evolved.

The company argues that the period which an acquirer has to stamp its mark on a newly-purchased target is very short – "less than a week" claims Mr Brian McGowan, chief executive, earlier this year. When, for example, Williams took over Pilgrim House, plans were laid to fly 140 senior managers from the target company into the Heathrow Penta Hotel on the day after the deal was signed.

They were given a 45-minute presentation on Williams, followed by 45 minutes on themselves and their future. The following morning, according to Williams, someone from the company was in every single office of Pilgrim House. "No one is in any doubt that things will be different," claims Mr McGowan. "The good guys like that, while the weak ones wonder what's in store".

By contrast, there are other school of management which move relatively slowly, preferring to leave day-to-day running of the acquired business little changed. When one senior executive of Farmers Group, the Californian insurer taken over by BAT Industries was asked last spring what benefits the tobacco-based conglomerate's parentage had brought, the reply was that it was mainly in terms of long-term planning and a more structured approach.

Investors, meanwhile, are usually left largely in the dark as how matters are panning out; initial results from the ongoing parent company may look good but there is enough accounting leeway in the wake of a major acquisition to make figures largely unhelpful for one or two years.

Occasionally matters are more dramatic. WPP, the UK advertising and marketing services group, suffered one of the more startling upsets in the wake of its acquisition of the US-based JWT Group. While it concentrated on the repercussions at the main J Walter Thompson agency, senior executives of Lord, Geller, Federico, Einstein – a much smaller, although well-respected agency – literally walked out. Other staff followed.

Despite swift damage limitation action and a lawsuit which eventually brought a cash settlement for WPP, the harm done was never repaired, and IBM – by far the largest client of LGFE – soon departed.

Although cases have rarely been so dramatic, it is a type of post-acquisition management problem which has repeated in the financial services industry, particularly in marriages between securities companies and banks, where respected professionals can command large salaries and simply shift to another house.

If managing an acquired business is tricky in all cases, it is arguably particularly so when the assets are people.

Nikki Tait

Continued from Page 4

The US houses – Morgan Stanley and Goldmans – are particularly well-placed to handle US/European deals, especially when handling a "sell-side mandate", that is finding a buyer for a European company among their vast domestic client bases. Mr Simon Orme, head of European M&A at Morgan Stanley, says that about half the work the bank does is for European clients.

The Lazards triangle of investment banks in New York, London and Paris, in each of which the bank is a leading domestic player, means that it is well-placed, too. According to figures from Morgan Stanley, Lazard led the field in transactions involving at least one European party in the first half of 1990, handling 30 deals worth $16.5bn. Morgan Stanley followed with 32 deals worth $14.5bn, followed by Goldman Sachs and S G Warburg.

The London-based operators are interested in nurturing domestic business in other countries, as well cross-border business on the continent. S G Warburg has a long-established presence in a number of domestic European markets. Schroders' London-based corporate finance team has done well in Italy and Spain. Hambro has followed a continental-style approach itself by setting up a network of cross-holdings with European banks.

Deutsche Bank has signalled its faith in the future anglo-saxonification of continental markets by buying Morgan Grenfell.

The London-based merchant bank has taken charge of M&A throughout Europe and is setting up a network of Deutsche Bank Morgan Grenfell offices in the key centres, including Frankfurt.

David Waller

COMMODITIES AND AGRICULTURE

LME lays plans to avert squeezes

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange, which dominates world terminal market trade in non-ferrous metals, is to take action to prevent speculative, technical "squeezes" of the kind which shook the copper market last month and caused considerable criticism from both producers and consumers of the metal.

The matter was raised at an LME board meeting yesterday when several other important issues were considered. They included:

- Possible changes to the nickel contract to increase liquidity by allowing full plate cathodes to be traded in addition to the present cut cathodes;
- The possible introduction of a secondary (or scrap) aluminium contract;
- A decision to double from March next year the minimum net worth requirements of LME member organisations.

Mr David King, the LME's chief executive, said last night that, while the board still believed there should be as little intervention in the market as possible, "we want to see how we could exercise more control. In the light of some criticism, we are looking seriously at what we might do to ensure the exchange is used for legitimate reasons rather than for short-term personal gains."

Mr King refused to be drawn on the action to be considered but traders suggested it was possible that in future LME members would be required to give details of any large positions so that the executive could see well in advance any squeeze building up.

Members and their clients are to be invited to give views on the possible changes to the nickel contract. A replacement contract will not begin until April 1992 but the LME is considering instead having a second nickel contract which could start in April next year.

Dealing with the possibility of a secondary aluminium contract, Mr King said a special committee would consider the potential because as much as 4m tonnes a year of this material was traded. However, the exchange recognised from the outset that there would be considerable difficulty in identifying a grade of secondary aluminium which could be traded worldwide.

Mr King said the lifting of net worth requirements, to £1m for ring-dealing members and to £500,000 for other members would create additional security and ensure that those who traded on the exchange could fulfil their obligations.

The London Futures and Options Exchange is to launch a screen traded rice futures contract on November 30, writes Our Commodities Staff. The contract, based on Thai 100B and US 2/4 rice, will be traded in 50-tonne lots and will be for physical delivery.

Orange juice price slide continues for fourth day

By Barbara Durr in Chicago

PRICES OF frozen concentrated orange juice continued downward yesterday in New York, the fourth day of decline since the US Department of Agriculture released its crop report last Thursday. The report put this year's harvest at 165m boxes (90 lb each), far above traders' earlier estimates of 125m to 135m boxes.

Mr Terry Miller, spokesman for the New York Cotton Exchange where the FCOJ futures are traded, said such a high harvest figure "was completely unexpected". The current USDA estimate is almost 50 per cent higher than last year's crop of 111m, which was reduced by the Christmas eve freeze.

Analysts are predicting that over the medium term the price could slip from its $1.16 to $1.18 range to below $1 a lb if another US winter freeze does not occur. But since Tuesday, FCOJ prices have stopped short of hitting the 5 cent limit down because of speculation that a freeze is likely. Meteorologists are suggesting that this will be a hard winter in the US.

Prices could be forced lower, however, by Brazil, where large crop of 245m boxes or more is expected. Some estimates have run as high a 290m boxes. If the Brazilians slash their prices again, the drop below $1 is possible, analysts said. It is believed, however, that Brazil is unlikely to make a move before the freeze season arrives.

The yield in this year's Florida orange juice crop is also up. According to the USDA report, the juice yield is expected to be 1.52 gallons a box, up from 1.28 gallons last season.

The crop is also early one to two months this year. The harvest is usually completed in February, but could be finished as early as December. This may also affect calculations on freeze damage given a smaller window for heavy weather to hurt the crop.

Consumers 'better off without milk board'

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S CONSUMERS would be much better off if the monopoly enjoyed by the Milk Marketing Boards was abolished since this would create a freer and more flexible dairy market, the National Consumer Council believes.

In a report published yesterday the NCC enters the year-long debate over the UK's milk marketing arrangements firmly on the side of reform. It believes that the monolithic MMB for England and Wales should be dissolved into a series of regional co-operatives and lose its ownership of Dairy Crest, the manufacturing company with 25 per cent of the UK market in dairy products.

The NCC thus goes considerably further than the board's own proposal to transform itself into a single voluntary co-operative, retaining Dairy Crest. Last month this proposal was submitted to the European Commission for a judgement on its compatibility with European competition Law.

The UK's five milk marketing boards (including three much smaller bodies in Scotland and one in Northern Ireland) were set up in 1933. They have a statutory right to buy the milk from the country's 42,000 dairy farmers and sell it on.

The system has come under increasing attack in the run-up to the creation of the European Single Market as a barrier to competition and innovation, particularly since prices and minimum profits are fixed in cartel-like arrangements with the Dairy Trade Federation.

Although the UK government clearly favours reform, it has so far baulked at unilaterally repealing the Boards' monopoly powers. The NCC says, however, that not only should the Government legislate to abolish the monopolies by 1992, but it should separate Dairy Crest from the MMB, allowing it to become a private company.

Such a move need not threaten doorstep deliveries nor the high health standards of UK milk, says the NCC.

Milk Marketing in England and Wales. NCC, 20 Grosvenor Gardens, SW1W 0DH.

CORRECTION

Brazilian beans

BRAZIL IS faced with a shortage of black beans and kidney beans, not soyabeans as stated on this page yesterday. To meet domestic demand for these traditional staples it has sharply increased imports, mainly from the US, Argentina and Chile.

EC tries to straighten out banana problem

Trade liberalisation would hurt traditional suppliers, writes William Dullforce

THE EUROPEAN Community is being pressed to face up to a predicament over bananas that its has ignored for the past four years.

Five Central American countries – Colombia, Costa Rica, Guatemala, Honduras and Nicaragua – last week demanded that Brussels start to negotiate seriously with them in the Uruguay Round trade talks over what they see as EC discrimination against their banana exports.

Recalling that developed countries had undertaken to give special treatment to tropical products and to aim for their fullest liberalisation, the five, which supply some 40 per cent of world exports of bananas, affirmed that the outcome of the round would be meaningless for them if the banana problem was not solved.

Their insistence poses a dilemma for Brussels, because at present 46 per cent of the bananas consumed in the Community come from its own member states or as protected imports from members' overseas dependencies and the African, Caribbean and Pacific (ACP) countries with which it has special trading arrangements.

Unit costs of production in the African and Caribbean countries are generally much higher than in the so-called dollar banana producers of Central and South America, where plantations larger than 5,000 hectares are the norm.

The "dollar" countries produce bananas more cheaply than the Africans and Caribbeans but face higher EC hurdles

Most farms in the Windward Islands, from which the UK bought more than half its 420,000 tonnes of banana imports last year, are less than one hectare.

Opening markets in industrialised countries for their tropical products is a crucial objective for developing countries in the Gatt round and a prize that has been dangled before them. Imports of bananas make up only slightly more than $3.5bn of the $110bn-a-year world trade in tropical products, but 95 per cent of the bananas come from developing countries.

The EC, the world's largest market, absorbing in 1988 close to 37 per cent of the 7.9m tonnes exported worldwide, has been avoiding a negotiation on bananas for nearly four years. First it argued that it needed time to decide how to harmonise importing practices of its 12 members for its single market in 1993. Then it said that it would free imports of tropical products only to the extent that its liberalisation was matched by other countries. Now, a study group in Brussels is about to report to the European Commission on harmonisation and the talks in Geneva are approaching a climax.

Moreover, a newly published analysis concludes that the more liberal the EC banana regime becomes, the greater the all-round benefits to the community, in particular to consumers who would gain access to lower-priced, better bananas. The ACP producers, of course, would lose.

The report, written by Jim Fitzpatrick and Associates, economic consultants in Dublin, was sponsored by Dole, one of the big banana trading companies.

Brussels applies a 20 per cent common external customs duty to banana imports. But the 12 EC member states run three basically different importing regimes. Six regulate imports. France, UK and Italy favour former colonies; the French market, for instance, is almost entirely reserved for imports from Martinique and Guadeloupe and former African colonies. Greece, Spain and Portugal each have domestic producers which they protect; Spain is supplied from the Canary Islands and Portugal partially from Madeira.

Germany, the biggest and most liberal EC importer, is a special case. It operates an annual quota, under which imports enter duty-free regardless of their origin. The quota is raised each year in line with demand and is met almost entirely by cheaper dollar banana imports.

The five smaller EC countries – Denmark, Netherlands, Belgium, Luxemburg and Ireland – have no quantitative restrictions on imports but apply the 20 per cent common tariff. Almost all their supplies come from dollar producers.

The predicament for the EC Commission is how to harmonise the varying import regimes in a way that is consistent with Gatt rules, meets the EC's obligation to liberalise tropical products in the Uruguay Round and yet does not ruin the producers to which it now gives preferences. Bananas provide almost half the total export earnings of the Windward Islands and more than half of the French overseas departments of Guadeloupe and Martinique.

The Fitzpatrick report examines 10 options, ranging from a simple common external tariff through import price supports to import quotas or combinations of quotas with deficiency payments to high-cost producers. Only two of the options would be consistent with Gatt, according to the report.

So far, the Commission has not made up its mind. Its study group is understood to have recommended that quotas be abolished but that the 20 per cent common tariff be maintained and extended to Germany.

Such a choice, according to the Fitzpatrick analysts, would increase imports from the dollar producers by 19 per cent, reduce ACP supplies by 43 per cent and cut EC retail prices for bananas by an average of 7.8 per cent.

ACP banana exporting countries would suffer an Ecu84m (£58m) loss in national incomes. EC commitments to them could be met by "visible compensatory mechanisms" rather than by costly manipulation of the banana market through trade protection, the report concludes.

Dominican exports spark fresh Caribbean flare-up

Canute James on a bitter dispute between producers over sales to Europe

A SMOULDERING war among Caribbean producers over the European banana market has flared up again. Commonwealth Caribbean exporters, mainly the Windward Islands, have reacted angrily to the start of shipments of the fruit from the Dominican Republic to Europe.

The Windward Islands say they are seeking "clarification" of the Dominican move, and have suggested that it violates undertakings given earlier this year by the Dominicans.

The latest volleys in the banana war are being fired after announcements by Fyffes, the marketing company, and the government of the Dominican Republic, that fruit valued at US$25m will be shipped from that country to Europe over the next few months.

The bananas are being exported to Ireland and continental Europe, and Dominican government officials have denied that this is violating an agreement reached with Commonwealth Caribbean producers on where bananas are to be shipped.

The quarrel is rooted in a Dominican Republic plan for the development of a banana production and shipping facility at the port of Manzanillo. Under a plan announced by the Dominicans earlier this year, the fruit is to be shipped to Europe in volumes which would eventually reach about 106,000 tonnes a year.

The Commonwealth Caribbean producers – the Windward Islands, Jamaica and Belize, are all members of the Caribbean Community (Caricom) – which supply about two thirds of Britain's bananas, became worried that cheaper bananas would deprive them of their market share.

Discussions between the Dominican Republic and the traditional Caribbean producers ended with an undertaking from the Dominicans that they would not sell in Europe certain products, including bananas, which competed with Commonwealth Caribbean exports. All bananas produced in the Dominican Republic, said one official a year ago, are eaten by Dominicans.

In exchange for this, the Dominican Republic's application for membership of the African, Caribbean and Pacific Group of countries was supported by the Caribbean members. The ACP countries are linked to the EC through the Lomé Convention, which grants preferential access for some exports to the EC.

The traditional exporters became incensed, however, when trial shipments were made from the Manzanillo facility. In reaction to angry statements from the Caricom producers, the Dominicans said the fruit was being shipped outside the banana protocol of the Lomé Convention, and would attract full rates of duty.

An uneasy truce was reached in March of this year. The Dominican Republic, according to an official statement, agreed that it would not "export directly or indirectly, any bananas to the UK market."

"We have not violated the undertaking which we have given," said an official of the office of the Secretary of State for foreign relations in the Dominican Republic. "No Dominican bananas are being shipped to the UK market, as was agreed. The shipments are being made to other parts of Europe."

Caribbean Community producers, however, are more than slightly uneasy. "In recent discussions with the Dominican Republic representative at the level of the African, Caribbean and Pacific group, and in a signed declaration, the Dominican Republic has given the assurance. . . that it would not attempt to have its exports of bananas enter the UK market," said Mr George Mallet, trade minister of St Lucia, the largest producer in the Windwards group.

"The Dominican Republic government and Fyffes are aware of this, so it is surprising that the Dominican Republic should blatantly violate the pact." Mr Mallet said his government was seeking a "clarification" of the situation from the Dominican Republic.

Miss Eugenia Charles, prime minister of Dominica, which is also one of the Windward Islands, said she had "lost faith in the Dominican Republic," and that the Caricom banana producers would have to meet shortly to prepare a "suitable response" to the new development.

Behind the quarrel are clear indications of distrust by Caricom of the stated plans of the Dominican Republic. When told that the Dominican Republic's fruit was going to other parts of Europe and not to the UK, and was in keeping with the undertaking given by that country, one official in the Jamaican industry suggested that the fruit "will eventually get into Britain and we will be the losers."

For their part, the Dominicans are unlikely to be greatly concerned about the reaction of the Caricom states. In late July, heads of government of the Community rejected an application for membership from the Dominican Republic. It was widely held that the bitterness engendered by the banana war was responsible.

WORLD COMMODITIES PRICES

MARKET REPORT

Three-month copper traded below £1,300 a tonne on the LME yesterday before closing at $1,306.50. The morning pre-market briefly extended overnight gains in sympathy with Comex and on Far Eastern currency induced buying. Aggressive commission house selling, however, soon reversed the trend. Bearish market sentiment is being dictate by expectations of a further rise this week in LME warehouse stocks. These have more than quadrupled over the past three months to 195,425 tonnes - the highest level for almost five years, traders said. Traders' perception of copper market weakness stems from concern over the US economy, forecasts of a supply surplus of 200,000 tonnes for next year and short-term prospects of LME warehouse inventories rising to 225,000 tonnes. This amount of metal has not been facing the market since mid-1984, when LME copper was trading below £1,000 per tonne. There is still some concern over the strike in Peru. Lead prices closed ahead for the second day running following Monday's 17-month low. Prices could be helped as the car battery demand season is approaching, dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	$31.95-2.05y	-0.85
Brent Blend (dated)	$37.65-7.75	-1.25
Brent Blend (December)	$35.95-6.05	-.775
W.T.I. (1 pm est)	$36.60-6.65y	-0.65
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$387-392	
Gas Oil	$333-334	-½
Heavy Fuel Oil	$134-136	-1
Naphtha	$359-364	-4
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$368.75	+8.25
Silver (per troy oz)♣	423c	+2
Platinum (per troy oz)	$398.25	+2.75
Palladium (per troy oz)	$98.5	-1.4
Aluminium (free market)	$1905	
Copper (US Producer)	118c	
Lead (US Producer)	50c	
Nickel (free market)	425c	
Tin (Kuala Lumpur market)	16.64r	
Tin (New York)	297c	
Zinc (US Prime Western)	79c	-4
Cattle (live weight)†	99.59p	-0.57*
Sheep (dead weight)†	122.99p	-10.9*
Pigs (live weight)†	74.59p	+0.70*
London daily sugar (raw)	$244.3q	+2.6
London daily sugar (white)	$300.3q	+2.5
Tate and Lyle export price	£291.5	+1.0
Barley (English feed)	£114	
Maize (US No. 3 yellow)	£155.5	
Wheat (US Dark Northern)	£91	
Rubber (Dec)♥	80.50p	
Rubber (Jan)♥	80.50p	
Rubber (KL RSS No 1 Nov)	237.5m	
Coconut oil (Philippines)§	$372.5w	-2.5
Palm Oil (Malaysian)§	$197.5t	
Copra (Philippines)§	$140	-3
Soyabeans (US)	$180c	+0.55
Cotton "A" index	81.85c	
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Oct/Nov z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	218.40	211.80	214.00 209.00
Mar	213.40	207.80	213.40 207.60
May	214.40	207.60	214.00 208.00
Aug	216.00	208.20	209.60
Oct	218.00	209.20	216.00 209.60
Dec	217.00	212.00	212.60
White			
Dec	295.0	290.5	296.0 288.5
Mar	292.0	286.5	291.7 285.5
May	292.0	287.5	291.5 285.0
Aug	297.0	291.5	294.0 293.0
Oct	290.5	285.0	292.5
Dec	289.5	286.5	290.0 284.5

Turnover: Raw 1464 (2250) lots of 50 tonnes. White 2308 (1028)
Paris- White (FFr per tonne): Dec 1465 Mar 1450, May 1452, Aug 1466, Oct 1457

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Dec	34.63	35.65	37.10 34.00
Jan	33.11	35.33	35.40 33.00
Feb	32.40	35.88	32.90 32.35
Mar	30.85	31.93	31.75
Apr	29.65	31.18	30.10 30.10
IPE Index	37.85	37.94	

Turnover: 14480 (17954)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	316.00	320.75	328.00 318.00
Dec	312.00	315.50	322.50 311.50
Jan	301.50	301.25	308.00 301.00
Feb	293.00	295.00	292.00 284.00
Mar	267.25	269.00	275.00 267.00
Apr	250.00	253.75	253.00 250.00
May	245.00	248.00	245.00

Turnover 10104 (10325) lots of 100 tonnes

WOOL

Australian purchases in floor price support are still very heavy indeed, in the 70pc to 80pc range. A small reduction in interest rates earlier this week was accompanied by talking of letting the Australian dollar weaken. It has done so quite sharply but there is no sign that overseas buyers of wool are any more active than they were. Australia's problem is not quite the same as the experience in the UK but recession is common to both. Another important closure hit Bradford this week, this time in wool spinning. Thomas Burnley, a renowned name in the Coats Viyella group, is being closed with 240 redundancies.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	682	657	682 646
Mar	704	688	705 695
May	730	724	730 721
Jul	755	749	755 746
Sep	777	773	777 770
Dec	807	803	806 799
Mar	835	830	835

Turnover: 4304 (6058) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 16 684.74 (688.18) 10 day average for Oct 17 680.51 (687.86)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	584	595	590 585
Jan	597	603	604 598
Mar	590	598	598 588
May	594	597	595 593
Jul	603	611	610 603
Sep	624	632	[illegible]
Nov	635	646	639

Turnover: 3539 (3418) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 16: Comp. daily 74.30 (74.50). 15 day average 74.31 (74.31)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	70.0	75.0	67.0
Apr	143.0	143.0	144.5 142.0
May	164.0	162.0	163.0 160.5

Turnover 161 (315) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Dec	110.00	110.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Oct	1275	1293	1285 1275
Nov	1335	1351	1343 1335
Jan	1300	1303	1300 1295
Apr	1368	1321	1315 1319
BFI	1247	1256	

Turnover 237 (175)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Nov	113.95	114.00	114.15 113.85
Jan	118.15	118.20	118.35 118.15
Mar	121.85	121.90	122.10 121.85
May	125.00	125.25	
Sep	110.00	110.10	110.00
Nov	113.30		
Barley	Close	Previous	High/Low
Nov	112.95	112.75	113.35 112.85
Jan	117.00	117.00	117.00 117.00
Mar	120.10	120.30	120.10

Turnover: Wheat 247 (326), Barley 145 (42). Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	101.0	100.0	
Nov	102.0	101.0	102.0

Turnover 16 (12) lots of 3,250 kg

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)					
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 21,404 lots	
Cash	1963-5	1880-5	1980/1960	1980-2		
3 months	1831-3	1771-3	1841/1785	1822-4	1833-5	75,649 lots
Copper, Grade A (£ per tonne)					Total daily turnover 28,055 lots	
Cash	1319-20	1341-3	1320/1305	1307-8		
3 months	1306-7	1328-7	1320/1297	1298.5-9.5	1309-10	110,584 lots
Lead (£ per tonne)					Total daily turnover 1,852 lots	
Cash	376-80	374-5	380/366	387-8		
3 months	382-3	375-80	395/382	388-8	382-4	10,849 lots
Nickel ($ per tonne)					Total daily turnover 2,700 lots	
Cash	8325-5	8075-125	8100/8075	8050-100		
3 months	8337-9	8725-75	8825/8600	8780-70	8800-25	7,712 lots
Tin ($ per tonne)					Total daily turnover 1,676 lots	
Cash	6190-220	6250-60		6160-90		
3 months	6200-30	6280-60	6270/6190	6195-205	6210-20	8,279 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,652 lots	
Cash	1332-5	1345-5		1325-7		
3 months	1337-9	1344-5	1350/1330	1335.5-1	1343-5	19,203 lots

LME Closing £/$ rate: SPOT: N/A 3 months: N/A 6 months: N/A 9 months: N/A

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	366¼-367	186-186¼
Opening	366-366½	186¼-186¾
Morning fix	365.75	185.472
Afternoon fix	366.00	186.623
Day's high	366¼-367¼	
Day's low	363¼-364¼	

Coins	$ price	£ equivalent
Maple leaf	375-380	190½-193½
Britannia	375-380	190½-193½
US Eagle	375-380	190½-193½
Angel	375-380	190½-193½
Krugerrand	366-369	186-189
New Sov.	88-90	44½-45½
Old Sov.	88-90	44½-45½
Noble Plat	400.95-407.40	203.55-206.80

Silver fix	p/fine oz	US cts equiv
Spot	213.85	421.60
3 months	221.35	430.75
6 months	228.15	439.05
12 months	241.50	456.30

TRADED OPTIONS				
Coffee	Nov	Jan	Nov	Jan
550	33	57	-	-
600	-	27	17	31
650	-	11	67	65
Cocoa	Dec	Mar	Dec	Mar
650	34	84	22	31
700	14	57	52	54
750	-	39	-	86
Brent Crude	Dec	Jan	Dec	Jan
3950	-	175	-	175
4000	-	190		
4050				

New York

GOLD 100 troy oz.; $/troy oz.			
	Close	Previous	High/Low
Oct	365.7	382.0	365.2 364.0
Nov	368.0	383.3	0 0
Dec	369.5	385.1	370.5 368.3
Feb	373.5	389.0	374.5 370.6
Apr	377.5	392.6	378.0 374.0
Jun	381.4	376.7	381.0 378.5
Aug	385.2	380.6	383.0 383.0
Oct	389.3	384.6	0 0
Dec	393.4	388.7	394.8 391.5

PLATINUM 50 troy oz; $/troy oz.			
	Close	Previous	High/Low
Oct	398.7	392.0	0 0
Jan	402.4	396.2	403.0 398.0
Apr	403.5	399.2	405.5 402.0
Jul	408.5	403.5	0 0
Oct	414.5	409.0	416.0 416.0

SILVER 5,000 troy oz; cents/troy oz.			
	Close	Previous	High/Low
Oct	418.8	414.2	416.0 418.0
Nov	418.3	418.0	0 0
Dec	424.0	416.6	427.5 422.0
Jan	428.2	420.7	0 0
Mar	433.1	428.0	437.0 432.0
May	438.4	434.1	440.5 437.1
Jul	443.3	440.3	447.0 443.5
Sep	451.5	446.7	454.0 451.0
Dec	453.5	449.5	

HIGH GRADE COPPER 25,000 lbs; cents/lbs			
	Close	Previous	High/Low
Oct	125.15	126.50	124.15 125.15
Nov	117.15	118.85	118.10 117.00
Dec	112.10	115.65	113.00 112.10
Jan	111.00	111.50	112.70 111.60
Feb	110.50	110.50	111.00 110.50
Mar	107.90	109.85	108.00 107.40
Apr	105.60	107.00	0 0
May	103.70	106.85	105.95 105.70
Jun	103.30	105.50	0 0
Jul	103.20	105.15	104.75 104.50
Aug	103.70	104.20	104.00 104.00

CRUDE OIL (Light) 42,000 US galls $/barrel			
	Close	Previous	High/Low
Nov	36.72	38.89	39.90 36.25
Dec	35.96	37.45	37.50 35.96
Jan	34.47	35.87	35.90 34.47
Feb	33.12	34.62	34.55 33.12
Mar	31.68	33.36	33.30 31.68
Apr	30.67	32.17	31.85 30.85
May	29.88	31.08	30.80 29.88
Jun	28.80	30.10	30.10 28.80
Jul	27.90	29.24	28.80 27.95
Aug	27.10	28.50	28.50 27.10

HEATING OIL 42,000 US galls, cents/US galls			
	Close	Previous	High/Low
Nov	10350	10480	10575 9810
Dec	10162	10482	10550 10162
Jan	9852	10082	10170 9852
Feb	9467	9767	9800 9467
Mar	8827	9227	9100 8827
Apr	8482	8762	8800 8482
May	8127	8427	8330 8220
Jun	7932	8232	8125 7957
Jul	7842	8142	8025 7875
Aug	7867	8167	8080 7850

COCOA 10 tonnes;$/tonnes			
	Close	Previous	High/Low
Dec	1173	1182	1164 1153
Mar	1237	1211	1242 1218
May	1275	1282	1278 1265
Jul	1315	1288	1318 1300
Sep	1345	1318	1335 1335
Dec	1380	1352	1380 1360
Mar	1420	1393	0 0

COFFEE "C" 37,500lbs; cents/lbs			
	Close	Previous	High/Low
Dec	93.00	91.38	93.70 91.75
Mar	96.60	96.35	97.10 95.10
May	98.75	97.57	99.25 97.25
Jul	100.55	99.30	100.50 100.50
Sep	102.60	101.65	102.50 102.50
Dec	105.00	104.75	0 0
Mar	108.75	108.15	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs			
	Close	Previous	High/Low
Jan	9.40	9.21	9.52 9.25
Mar	9.51	9.21	9.52 9.27
May	9.56	9.25	9.58 9.31
Jul	9.57	9.26	9.60 9.33
Oct	[illegible]	[illegible]	[illegible]
Mar	9.73	9.37	0 0

COTTON 50,000; cents/lbs			
	Close	Previous	High/Low
Dec	73.67	73.75	73.96 73.65
Mar	73.88	74.06	74.20 73.65
May	74.18	74.36	74.40 74.15
Jul	74.28	74.35	74.50 74.20
Oct	68.95	69.15	69.25 68.75
Dec	67.62	67.75	67.80 67.50
Mar	68.30	68.55	67.90 67.90

ORANGE JUICE 15,000 lbs; cents/lbs			
	Close	Previous	High/Low
Nov	112.00	117.85	116.90 111.25
Jan	111.70	118.70	115.70 111.70
Mar	112.50	117.65	115.80 112.60
May	113.50	118.60	115.60 113.50
Jul	113.00	118.50	113.30 113.00
Sep	113.30	118.30	113.50 113.30

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 17	Oct 16	mnth ago	yr ago
N/A	1751.5	1786.9	1889.9

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 16	Oct 15	mnth ago	yr ago
Spot	125.45	126.23	126.90	128.57
Futures	126.53	127.82	131.88	128.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel			
	Close	Previous	High/Low
Nov	614/4	610/2	617/0 609/4
Jan	629/2	625/4	631/6 624/4
Mar	642/2	638/2	644/4 637/4
May	652/6	648/6	655/0 648/0
Jul	660/6	656/6	663/4 656/6
Aug	658/0	655/0	660/4 655/0
Sep	628/0	625/0	632/2 628/0
Nov	619/4	619/6	622/0 618/4

SOYABEAN OIL 60,000 lbs; cents/lb			
	Close	Previous	High/Low
Oct	22.18	21.98	22.20 21.93
Dec	22.52	22.20	22.59 22.23
Jan	22.80	22.61	22.86 22.61
Mar	23.20	23.13	23.32 23.00
May	23.51	23.32	23.60 23.25
Jul	23.70	23.50	23.75 23.50
Aug	23.66	23.45	23.65 23.62
Sep	23.40	23.35	23.45 23.35

SOYABEAN MEAL 100 tons; $/ton			
	Close	Previous	High/Low
Oct	180.2	179.3	180.4 178.5
Dec	184.8	183.0	185.4 182.3
Jan	187.1	185.1	187.5 185.2
Mar	190.7	187.7	190.7 188.4
May	191.4	191.1	192.0 190.2
Jul	193.0	191.8	193.1 191.2
Aug	193.5	191.0	193.5 191.5
Sep	193.0	190.5	193.0 189.0

MAIZE 5,000 bu min; cents/56lb bushel			
	Close	Previous	High/Low
Dec	228/6	228/6	229/4 228/4
Mar	237/6	235/6	238/2 236/4
May	243/6	241/4	244/0 241/2
Jul	247/4	245/2	247/6 245/0
Sep	240/2	244/2	246/4 240/2
Dec	240/0	240/6	240/4 239/2
Mar	254/4	253/4	0 0

WHEAT 5,000 bu min; cents/60lb-bushel			
	Close	Previous	High/Low
Dec	265/4	260/6	265/0 261/2
Mar	280/2	276/4	279/6 275/2
May	284/4	282/4	284/4 280/4
Jul	289/4	289/4	289/0 285/4
Sep	294/4	293/0	294/4 290/4
Dec	305/0	302/0	0 0

LIVE CATTLE 40,000 lbs; cents/lbs			
	Close	Previous	High/Low
Oct	78.10	79.65	79.07 78.72
Dec	75.37	75.27	75.65 75.20
Feb	75.65	73.27	75.87 75.35
Apr	76.42	74.07	76.50 76.25
Jun	72.25	72.35	72.25 72.07
Aug	70.85	70.85	70.90 70.72
Oct	70.90	70.70	70.90 70.52

LIVE HOGS 30,000 lb; cents/lb			
	Close	Previous	High/Low
Oct	57.10	57.12	57.35 56.65
Dec	54.06	54.06	54.20 53.87
Feb	51.40	51.13	51.70 51.12
Apr	47.67	47.57	47.75 47.50
Jun	51.55	51.60	51.85 51.40
Jul	50.72	50.60	50.80 50.50
Aug	48.65	48.65	48.65 48.50

PORK BELLIES 40,000 lbs; cents/lb			
	Close	Previous	High/Low
Feb	66.70	64.70	66.70 64.70
Mar	66.42	64.42	66.70 64.65
May	66.87	64.87	66.80 64.85
Jul	65.70	63.70	66.70
Aug	63.30	61.55	63.30 62.00

LONDON STOCK EXCHANGE

Further losses in a nervous market

DOUBTS OVER the financial health of its own member firms returned yesterday to disturb a UK stock market already unsettled by concern over the outlook for sterling and for the British and US economies. Share prices gave further ground and only a few special deals enlivened a trading session described by one leading trader as a non-event.

By late afternoon, securities business had virtually dried up, leaving dealers with little to do but to speculate on the implications of meetings believed to be under way at some leading market firms.

The institutions appeared to have backed away from the market ahead of tonight's speech in the City of London by Mr John Major, the chancellor of the exchequer. Some strategists suggested that the chancellor's speech, which is an annual tradition, might be used to disclose proposals for changes in government funding policies.

Account Dealing Dates		
First Dealings:		
Oct 8	Oct 22	Nov 5
Option Declarations:		
Oct 18	Nov 1	Nov 15
Last Dealings:		
Oct 19	Nov 2	Nov 16
Account Day:		
Oct 29	Nov 12	Nov 26

*New-time dealings may take place from 8.30 am two business days earlier.

The market's unhappiness set in early in the day when Kleinwort Benson Securities, the London merchant bank, confirmed that it had placed its stake of nearly 138m shares in Premier Consolidated, taking a loss of around £34m on the stake, which has been hanging like a dark cloud over the market as well as over Kleinwort's *fortunes. The disclosure* shortly afterwards that a senior Kleinwort executive was leaving the group deepened dismay among market traders.

Equities, which had opened lower after Wall Street's overnight setback, extended their losses and the FT-SE Index was soon down by more than 19 points. An attempted rally was then halted as signs that a market-making firm might be selling stocks brought a host of fears that all might not be well with the securities trading industry, and that another round of redundancies could be in the offing.

Down went the Footsie index again, with apprehension *increasing ahead of Wall* Street's opening for the new session. The second downturn of the day reached 22.6 Footsie points before Wall Street turned higher, showing a 17-point Dow gain in London time and inspiring a late rally in the UK.

At its final reading the FT-SE Index was 15.6 down at 2,068.0, an uncomfortable reading for a market which had hoped that 2,100 might have proved a standing point. "Follow-through weakness could extend as far as 2,030," according to Mr Robin Aspinall at Hoare Govett. "But 1,880 remains the major target."

Seaq volume jumped to 544.4m *shares yesterday from* 381.8m in the previous session. However, yesterday's total was boosted by the Premier deal, double-counted on Seaq. Since Premier is a market Beta stock, full details of the turnover will not be disclosed until publication this morning of the Stock Exchange Official List.

FINANCIAL TIMES STOCK INDICES

	Oct 17	Oct 16	Oct 15	Oct 12	Oct 11	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.76	79.51	79.73	79.57	79.57	84.56	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.90	88.85	88.93	88.99	88.96	93.40	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1600.8	1613.3	1627.2	1622.0	1618.9	1758.5	1968.3 (3/1)	1510.4 (24/9)	2008.6 (3/9/89)	49.4 (26/6/40)
Gold Mines	163.9	163.2	167.9	170.9	172.5	190.6	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2068.0	2083.6	2101.9	2100.4	2102.2	2181.9	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.99	5.95	5.89	5.99	5.90	4.72				
Earning Yld %(full)	12.50	12.42	12.30	12.35	12.37	11.36				
P/E Ratio(Net)(*)	9.70	9.76	9.85	9.82	9.79	10.64				
SEAQ Bargains 4.45pm	18,005	19,232	19,614	18,181	18,563	20,520				
Equity Turnover(£m)†	-	662.34	576.31	650.69	1335.81	1047.97				
Equity Bargains†	-	17,222	18,467	15,748	20,112	24,536				
Shares Traded (mil)†	-	306.7	264.8	283.8	529.7	439.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. c Nil 9.85

Ordinary Share Index, Hourly changes — Day's High 1607.0 — Day's Low 1595.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1603.3	1602.1	1604.5	1605.5	1600.7	1595.2	1595.7	1598.5	1598.3

FT-SE, hourly changes — Day's High 2076.6 — Day's Low 2061.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2072.8	2067.9	2071.7	2073.7	2068.9	2062.3	2061.1	2064.2	2064.6

GILT EDGED ACTIVITY

Indices	Oct 16	Oct 15
Gilt Edged Bargains	112.4	102.5
5-Day average	100.2	100.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

Premier stake resolved

WEEKS OF uncertainty concerning Premier Consolidated Oilfields, the oil group, and Kleinwort Benson, the merchant bank, came to an end yesterday as the bank, *in conjunction with* Cazenove, the stockbroker, placed the 29.7 per cent equity interest it bought in Premier early in August with a number of institutions.

The stake, some 137.7m shares, was placed at 78p a share, according to Kleinwort Benson. Kleinwort bought the stake in Premier from Burmah Castrol on August 6, only days after the Iraqi invasion of Kuwait, which triggered an upward spiral in crude oil prices. Kleinwort was thought to have paid around 99p a share for the stake and attempted, unsuccessfully the same day, to place the shares at 103p apiece.

Premier shares, which have steadily declined since Kleinwort took on the stake, slipped back to 81½p yesterday before steadying and closing a net 4¼ down at 82½p, leaving Kleinwort with a loss, including the cost of financing the block of shares, of around £34m.

Oil specialists said the failure of Kleinwort to place the stock earlier meant there was little or no chance of a bid materialising for Premier. "It was done at a hell of a discount to the original buying price and the ruling market price and it does not inspire confidence," said one analyst.

Shares in the merchant bank, additionally upset by news of the resignation of Mr Charles Hue-Williams, managing director of Kleinwort's securities division, fell to 277p before picking up to end 5 lower on the day at 281p.

Highland fling

Analysts welcomed Highland Distilleries move to take a 20 per cent stake in Orpar, the controlling shareholder in Rémy Cointreau, of France, which makes and distributes cognac, champagne, liqueurs and wine.

What particularly pleased the market was that part of the payment was in the form of Highland's 12.7 per cent holding in Macallan-Glenlivet.

Mr Geoff Collier at County NatWest WoodMac explained that Macallan shares traded on one of the highest price/earnings ratios in the market. Highland is best known for its Famous Grouse brand of whisky, and Mr Collier said the deal would strengthen the company's position in Europe.

Rémy Cointreau controls 51 per cent of Rémy Martin, in which Grand Metropolitan indirectly holds a 19.1 per cent stake. Until April GrandMet's holding was 49 per cent.

A rise yesterday for GrandMet shares was attributed by traders to a stock shortage and a technical recovery following the previous day's fall on the publication by the Monopolies and Mergers Commission of conditions for the company's proposed pubs-for-breweries swap with Elders IXL.

Highland rose 9 to 212p, Macallan finished unchanged at 553p and GrandMet improved 4 to 563p.

Water doubts

Fears that Severn Trent Water's bid for Caird Group may be in jeopardy caused the latter's shares to fall nearly 25 per cent in spite of Caird's recommendation of the water company's cash offer of 100p per share. Caird said it expected profits for the 18 months to December 31 of £7.2m. But this was less than the figure set by Severn as a condition of its offer and also lower than the previous Caird forecast.

Many analysts believed the bid would be withdrawn or that Severn Trent would submit a new lower offer. Dr Edmund Bradley of Citicorp Investment Bank said another bidder was unlikely to appear, and which ever option Severn chose Caird would continue to drift lower. Caird finished 23 down at 70p, while Severn ended just 2 off at 194p.

The weakness of the dollar hit some international stocks. Reuters lost 15 to 682p, BTR slipped 7 to 306p and Sotheby's fell 50 to 538p. Unilever shed 14 to 639p, additionally hurt by further consideration of Tuesday's downgradings.

Hanson retreated 4¼ to 187¼p on consideration of the company's gold-for-timber assets swap with Sir James Goldsmith, announced on Tuesday. Turnover was a hefty 17m shares.

A New York recommendation insulated Rolls-Royce against the chill wind of the wider market. Ms Judith L Comeau of Goldman Sachs, the US investment house, said the stock has outperformed both the UK and US markets this year but its relative valuation is still low given the company's superior earnings momentum.

Additionally, she continued, a prolonged conflict in the Gulf could increase orders for military engine spares and for industrial engines in oil and gas exploration. Rolls-Royce shares edged forward before easing late to finish little changed on balance at 172p. After the close yesterday Cooper Rolls, a joint venture company, announced orders exceeding £60m for 14 gas turbine systems. The Rolls-Royce portion of the contract is worth over £20m.

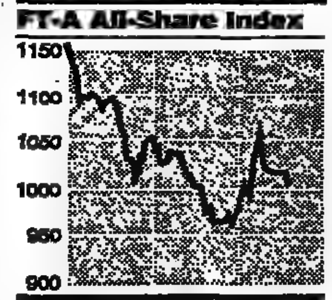
VSEL Consortium shares suffered after the company announced that it was seeking a buyer for the Cammell Laird subsidiary. The company said that now the Ministry of Defence has significantly reduced requirements for conventional submarines and surface vessels, it was impractical to contemplate more than two building yards being involved in the current frigate programme.

If a buyer can not be found Cammell Laird will close down on completion of the current contract. Further short-term redundancies are inevitable in the meantime, continued VSEL. The shares settled at the day's low of 365p, down 22.

Abbey National, hit in recent days by hints that one of the top UK securities houses has been preparing a sell note on the shares, was easily the busiest stock in the banks arena. The shares fell 6¾ to 217p on turnover of 5.3m.

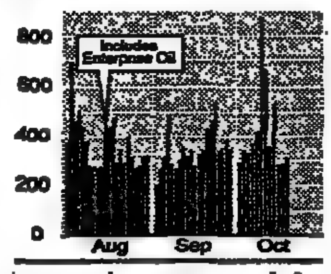
Midland rallied well, closing 3 ahead at 190p on good turnover of 4.1m, while NatWest hardened to 257p on 1.5m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Prudential shares traded heavily — 9.6m changed hands — as stories revived of the insurance group being ready to sell its Mercantile & General subsidiary. The rumours accompanied the suspension of trading of continental insurance group Axa-Midi; dealers said Axa was much more likely to make an acquisition in the US than the UK.

The recent new business figures continued to unsettle Legal & General, which fell 13 to 373p on good turnover of 3.8m shares.

ICI lost 9 to 813p after Nomura reduced its 1990 forecast to £1.05bn from £1.2bn and its 1991 estimate to £900m from £1.05bn. Nomura said the rise in oil prices had caused it to reduce its estimate. An average *oil price of $25 per barrel*, compared with $22, is expected next year. Also depressing ICI profits will be a firmer pound.

British Telecom shed 6¼ to 264p on 7.8m, while the recent profits downgrades and the prospects of more to come upset Racal Electronics, 4 off at 145p, and Racal Telecom, 9 down at 239p. Cable and Wireless moved up 8 to 421p after the Japanese joint venture news. STC rose 4 to 279p, still fuelled by bid speculation.

The chief casualty of the motors sector was BBA. Two investment houses lowered *their profits expectations for* both this year and next, causing pressure which took the shares down 5 to a 1990 low of 110p. Analyst Mr Peter Caldwell said the BZW downgrade reflected "growing concern on European car markets into 1991". The stock is still not *dear on the lower numbers but* it is too early to buy, he added.

GKN, one of the UK's largest automotive component groups, also succumbed to worries about the European car market, which could provide the key to its short-term performance. First-half results were affected by the sharp downturn in both US and UK car production. GKN settled 8 off at 305p.

Lucas Industries registered a couple of unusually large trades on the overnight ticker, and some traders became nervous awaiting Monday's preliminary statement. Dealers said turnover yesterday was also well above normal, at 1.7m shares. Analysts' estimates of group annual profits range from around £180m to £195m. Some believe a continuing strong performance from aerospace activities will compensate for less favourable conditions in other markets. Lucas closed 4 easier at 112p.

Geest rose 12 to 270p on speculation that Albert Fisher and not Geest was interested in bidding for Polly Peck's Del Monte fresh fruit division. Albert Fisher was unchanged at 110p.

At least two securities houses were said to have turned positive on the prospects for Burton. The shares bucked the trend with a rise of 3 to 70p.

P & O fell steeply on widespread talk that its construction operations were in trouble and that the company would make a rights issue. P & O said there was "absolutely no truth whatsoever" in these suggestions and the shares recovered from the day's low of 492p to close at 501p, still a net fall of 18. Turnover was 2.6m, busy for this thinly traded stock.

Tiphook managed to hold on to all but 4 of Tuesday's jump of 21. The shares ended at 357p. This morning County NatWest WoodMac issues a buy note on the stock. The broker said that financing ratios are "very sound", that the shares are "oversold and are among the few in the sector we would currently buy".

Another wave of apprehension hit Brent Walker late in the session, leaving the shares a further 2¼ off at 60p. Analysts suggested there was uncertainty over what the company could secure for the Goldcrest film-making arm. The market has been hoping Brent Walker might get £30m for the operation from its management, but analysts said the deal has been talked of for 18 months and that, in general, banks were unwilling to lend for *management buy-outs at the moment.*

US buying of Maxwell Communication helped the shares buck the market trend with a rise of 9 to 150p. Turnover was a strong 5.2m.

Rank Organisation rose 7 to 632p as Guardian Royal Exchange said it controlled *6.25 per cent of the company.*

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	323	547	-2
British Airways	[illegible]	135	-4
British Gas	6,200	214	-4
British Land	395	262	-1
BP	5,100	338	-1
British Steel	6,100	121½	-3
British Telecom	7,800	264	-6¼
Bunzl	2,400	85	
Burmah Castrol	1,200	488	+8
Burton	2,100	70	+3
Cable & Wire.	2,700	421	+8
Cadbury's	1,400	312	-1
Calor Group	12	226	-1
Carlton Comms.	475	540	-4
Coats Viyella	395	130	-1
Comm. Union	462	470	-2
Hanson	[illegible]	[illegible]	[illegible]
Hawker Sidd.	253	380	-3
Hillsdown	948	230	+1
IMI	971	194	
ICI	1,700	813	-9
Inchcape	410	223	-2
Kingfisher	798	375	-1
Ladbroke	3,000	190	
Land Securities	577	503	-2
Laporte	555	476	-12
Legal & General	3,800	373	-13
Lloyds Abbey	1,100	373	-6
Lloyds Bank	1,100	280	-3
LASMO	1,300	439	-9
Lonrho	1,200	186	+2
Lucas	1,700	112	-4
MB Group	113	183	
Reed Intl.	[illegible]	[illegible]	[illegible]
Reuters	2,100	682	-15
Rolls Royce	3,400	172	-½
Rothmans	58	635	+5
Roy Bk Scotland	410	150	-1
Royal Insurance	1,100	241	+4
RTZ	4,100	273½	+4½
Saatchi	185	36	+3
Sainsbury	833	308	+1
Scottish & New	475	340	
Sears	1,600	84½	+1½
Sedgwick	1,100	202	+5
Severn Trent Water	4,200	194	-2
Shell Transport	2,400	447	-5
Smiths	684	273	-1
Slough Ests	329	220	-1
Smith (W.H.) A	180	363	+1
Unigate	[illegible]	[illegible]	[illegible]
Unilever	1,700	639	-14
United Biscuits	1,100	317	-3
Utd Newspapers	583	317	-6
Water Package Uts.	1	£2226	+10
Wellcome	408	470	+2
Welsh Water	180	347	
Wessex Water	318	318	+1
Whitbread "A"	962	442	+1
Wiggins Teape	1,300	187	-1
Williams Hldgs.	82	316	-1
Willis Corroon	4,000	281	+4
Wimpey	1,800	204	-5
Yorkshire Water	170	240	+3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Manpower, the employment agency formerly called Blue Arrow, eased 3 to 49p after the proposed buyer of its UK non-Manpower subsidiaries asked for the conditions of sale to be changed. Brook Opportunities "requested a variation of some of the terms (including a price reduction) to enable the purchase to take place; the terms and conditions of such variation are currently under discussion", said Manpower.

Beset by doubts over the final dividend, Trafalgar House shares drifted back further to close 7 lower at 188p. Cookson also turned easier after completion of an overnight tax loss deal involving 2.7m shares and lost 2 to 68p.

Beris Holdings, on the other *hand, furthered its response to* Tuesday's upbeat statement, gaining 3 for a two-day rise of 12 to 168p.

Priest Marians rose 5 to 35p and Grovewood Securities added a penny at 36p after the boards of the two companies reached agreement on Grovewood's £4.94m bid.

Easier crude oil prices and a generally unhappy equity market left the oils sector mainly lower.

BP was marginally easier at *338p on turnover of 5.1m as the* recent recommendation to switch into Shell looked to have run its course for the time being. Shell, following a bout of profit-taking, eased 5 to 447p on turnover of 2.4m.

The oil price fall hit Enterprise, 13 lower at 638p on 1.4m, and Lasmo, 9 off at 439p. Ultramar was additionally weighed down by reports that a Canadian broker had placed a line of 750,000 shares and fell 8 to 324p on 2.9m.

Burmah Castrol, however, extended Tuesday's rally, with dealers taking the view that the tilt at Foseco may well leave Burmah vulnerable to a further stake-building exercise by SHV, which already has a 9.1 per cent interest, or even a full bid from the latter. Calor *eased afresh to 226p on* thoughts that any potential link with Burmah has moved further away after the bid for Foseco.

■ Other Market statistics, including the FT-Actuaries share index, Page 22

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (8). BRITISH FUNDS (3) BUILDING (1) ELECTRICALS (1) INSURANCE (1) [illegible]. NEW LOWS (158). AMERICANS (14) CANADIANS (10) BANKS (3) BREWERS (2) BUILDINGS (3) CHEMICALS (4) STORES (4) ELECTRICALS (6) ENGINEERING (7) FOODS (1) INDUSTRIALS (28) ADT, Abbeycrest, Amer. Grp., BBA, Do. 6.7pc Cm. Rd. Cnv. Prf., BTS, Business Tech., Cargo Cntrl., Celestion, Computer People, Electrolux, Elliott, Eurocopy, Expamet Intl., Fletcher Challenge, Grovewood, Handley-Walker, ISA Intl., Johnson Matthey, Johnston Grp., Lincoln Hse., Linton Park, Melville Grp., Optical & Medical Intl., Petrocon, Porth Grp., Store "S" Free, Swallowfield, INSURANCE (2) LEISURE (3) NEWSPAPERS (3) PAPERS (7) PROPERTY (1) TEXTILES (3) TRANSPORT (6) TRUSTS (12) OILS (4) OVERSEAS TRADERS (2) MINES (21) THIRD MARKET (1).

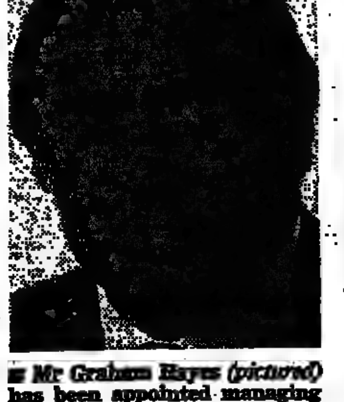
APPOINTMENTS

Guinness Mahon top posts

■ Mr Ken-ichi Ozawa, vice chairman of GUINNESS *MAHON HOLDINGS*, has been appointed deputy chairman. He represents the principal shareholder, the Bank of Yokohama. Mr David Potter has joined the board and been appointed vice chairman. Mr Potter has also been appointed deputy chairman and chief executive of Guinness Mahon and Company, the merchant banking subsidiary. He was a managing director of Midland Montagu, responsible for corporate banking.

■ Mr Ken Dare has been appointed chief executive officer of ZURICH RE (UK) from November 19. He was general manager in charge of Royal Re worldwide, and will succeed Mr Peter Sale who is retiring.

■ NORTHERN ROCK BUILDING SOCIETY has appointed Mr David Baker as assistant general manager (mortgages and savings). Mr Colin Blakey becomes assistant general manager (commercial finance) and managing director of the housing development Northern Rock Housing Trust. Mr Ivor Fox becomes assistant general manager (retail banking). Mr David Johnson becomes assistant general manager (financial services). *He is also* chief executive of Northern Rock Financial Services. Mr John W. Watson becomes assistant general manager (finance).



■ Mr Graham Hayes *(pictured)* has been appointed managing director of MEAD COATED BOARD (UK), Rickmansworth, a new subsidiary of The Mead Corporation, US. He remains chairman of Bradman Lake.

■ SEAGRAM EUROPE, London, has appointed Mr Martin J. Frost, as senior vice president. He was vice president sales and marketing.

■ BRADSTOCK GROUP has appointed the following at Bradstock Blunt & Crawley: Mr Michael Morland, chairman; Mr Graham Barden, Mr Tom Watson, Mr Mark Campe, Mr Michael Matthews, Mr Edward Close-Smith, Mr Alan Angel, and Mr Michael Cole, directors; Mr Jonathan Harris and Mr Jonathan Rames, associate directors.

■ Mr Mike Harrison has been appointed managing director of POQET COMPUTER, and vice president of Poqet Computer International, subsidiaries of Poqet Computer Corp, California. He was UK managing director of Data General.

■ CRODA INTERNATIONAL has appointed Mr Simon Everard as a non-executive director. He is president of Ellis & Everard, and deputy chairman of the Alliance & Leicester Building Society.

■ Mr Hylton Murray-Philipson has been appointed a non-executive director of SALE TILNEY. He is a director of Henry Ansbacher & Co.

■ Mr Bill Rhodes has been appointed non-executive chairman of SYCAMORE HOLDINGS, succeeding Mr Michael Hamton who remains a non-executive director. Mr Peter Hopkins becomes a director, and Mr Richard Rhodes a non-executive director.

■ Mr Richard Goswell has been appointed operations director at MERCURY PERSONAL COMMUNICATIONS, to establish a personal communications network in the UK. Mr Colin Wileman becomes information systems director. This completes the company's senior mangement team. Mr Goswell was director of mobile services, Mercury Communications, also part of the Cable and Wireless group. Mr Wileman was information director at London University.

■ SCOTTISH AND MERCANTILE INVESTMENT TRUST has appointed Mr Michael A.F. Reeve as a director. Until 1987 he was managing director of Greyhound Guaranty, and is an underwriting member of Lloyds.

Mr Adrian Roche *(pictured)* has been made managing director of KIDDICRAFT TOYS, a Fisher Price company. He was marketing director.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	.....	[illegible]	[illegible]
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.52	[illegible]
[illegible]	[illegible]	Treas 11½pc 1991	[illegible]	.....	11.81	[illegible]
[illegible]	[illegible]	Funding 5¾pc '87–91	[illegible]	[illegible]	5.90	[illegible]
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	.....	3.13	[illegible]
[illegible]	[illegible]	Treas 10pc Cv '91	[illegible]	[illegible]	10.17	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	.....	11.13	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.35	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992	[illegible]	.....	12.64	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	.....	10.25	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992	[illegible]	[illegible]	8.43	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992	[illegible]	[illegible]	10.71	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	.....	3.34	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.20	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	13.13	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.87	[illegible]
[illegible]	[illegible]	Treas 10pc 1993	[illegible]	[illegible]	10.36	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993	[illegible]	[illegible]	12.28	[illegible]
[illegible]	[illegible]	Funding 6pc 1993	[illegible]	[illegible]	6.77	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993	[illegible]	[illegible]	13.03	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.28	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994	[illegible]	[illegible]	13.35	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.78	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994	[illegible]	[illegible]	10.44	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	12.15	[illegible]
[illegible]	[illegible]	Treas 9pc 1994	[illegible]	[illegible]	9.77	[illegible]
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Exch 3pc Gas 90–95	[illegible]	.....	3.77	[illegible]
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.71	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 12¾pc 1995	[illegible]	[illegible]	12.11	[illegible]
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.89	[illegible]
[illegible]	[illegible]	Treas. 9pc 1992–96	[illegible]	[illegible]	9.93	[illegible]
[illegible]	[illegible]	Treas 15¼pc 1996	[illegible]	[illegible]	13.34	[illegible]
[illegible]	[illegible]	Exch 13¼pc 1996	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.70	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9¼	.....	Q28%	2.1	9.0	5.2
303	161	ANZ $A1	163	.....	44c	1.4	11.0	6.5
233	172	Abbey National 10p	217	–6½	5.7	4.3	3.5	8.8
*274	128	Allied Irish Ord	146	–3	Q40%	3.3	6.1	6.6
85	47	Anglo Irish	48	.....	tQ18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	66	.....	2.5	1.3	5.1	19.0
£71½	£32⅞	Bancaire Cie Fr100	£41⅞	–⅛	tQ24%	–	3.2	–
£22½	£13½	Banco Bilbao Viz	£13½	.....	Q49.1%	2.7	5.9	9.3
286	136	Bank Ireland IrE1	144	–3	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	109xd	.....	†4.55	3.4	5.6	6.9
100¼	83¼	Do. 9¼pc Irrd Pf	99	+½	9¼%	–	12.5	–
54	39	Bank of Wales	49xd	.....	2.8	0.8	7.6	(21.5)
428	290	Barclays £1	355	–2	†tt19.57	3.5	7.4	4.9
22	11	Benchmark 20p	12	.....	0.75	–	8.3	–
335	238	Brown Shipley £1	240	–4	12.0	2.2	6.7	7.8
*435	285	Cater Allen £1	324	–1	N24.5	–	10.1	–
179	49	Chancery	49	–3	9.0	2.7	24.5	2.0
£23½	£15¼	Commerzbk DM10	£15¼	–¼	Q18%	–	4.1	–
£13¼	620	Dai Ichi KBk Y50	704	+21	Q17%	6.2	0.5	33.2
*£313⅜	£194¼	Deutsche Bk DM50	£204¾	–3½	Q28%	–	2.3	–
£20⅞	£14½	Espirito Santo	£15⅛	.....	Q75c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	189	–2	13.0	2.1	9.2	6.5
121	82	FNFC 6.3pc Cv Pf	94	–4	6.3%	–	8.9	–
£13¼	633	Fuji Bank Y50	763	+48	Q17%	◆	0.4	◆
329	262	Gerrard & National	285	.....	19.0	–	8.9	–
154	98	Guinness Mahon 10p	98	.....	2.1	–	2.9	–
328	194	Hambros 20p	215	+1	11.5	–	7.1	–
128	88	Do. 7.5pc Cv Pf	94	.....	7½%	–	10.6	–
53¼	31½	HK & Shang. HK$2.50	32½	.....	ttQ38c	–	7.8	–
478	378	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	116	.....	10.25	–	11.8	–
422	262	Kleinwort Benson Grp	281	–6	16.0	2.5	7.6	6.7
642	316	Kyowa Bank Y50	393	+18	Q14%	◆	0.8	◆
316	182	Lloyds £1	280	–3	†13.3	2.6	6.3	6.6
56	44	Lon. Scot. Bank 10p	47	.....	†2.4	1.9	6.8	9.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Components

[illegible]								

Garages and Distributors

[illegible]								

NEWSPAPERS, PUBLISHERS

[illegible]								

PAPER, PRINTING, ADVERTISING

[illegible]								

PROPERTY

[illegible]								

PROPERTY — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SHOES AND LEATHER

[illegible]								

SOUTH AFRICANS

[illegible]								

TEXTILES

[illegible]								

TOBACCOS

[illegible]								

TRANSPORT

[illegible]								

INVESTMENT TRUST

1990 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
[illegible]								

INVESTMENT TRUST — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
[illegible]								

INVESTMENT TRUST — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
[illegible]								

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

WATER

[illegible]								

OIL AND GAS

[illegible]								

OIL AND GAS — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OVERSEAS TRADERS

[illegible]								

PLANTATIONS

Rubbers, Palm Oil

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
[illegible]							

Teas

[illegible]							

MINES

Central Rand

[illegible]								

Eastern Rand

[illegible]								

Far West Rand

[illegible]								

O.F.S.

[illegible]								

Diamond and Platinum

[illegible]								

Central African

[illegible]								

Finance

[illegible]								

Australians

[illegible]								

MINES — Contd

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
[illegible]							

Tins

[illegible]							

Miscellaneous

[illegible]							

THIRD MARKET

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- & Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ●● Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1... γ	780	......
Finlay Pkg. 5p.... γ	40xd	-3
Holt (Jos) 25p.... γ	1305xd	......

IRISH

Cap. 8½% Ln. 1991	£98½	......
9pc Cap Ln. 1996..	£94	......
Fin. 13% 97/02...	£110¼	......
Arnotts..........	180	......
Carrol (P.J.)...... γ	152	......
Hall (R. & H.)......	165	......
Helton Hldgs....... γ	58	+1
IRG................	155	......
United Drug........	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¾
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	28
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petm	20
Gaelic Res	2
Premier	8½
Shell	48
Tuskar Res	6
Ultramar	32

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible]

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-[illegible]

هكذا صن الأصل

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	54.30	54.30	57.99	-1.05	1.33
Australia	5	5.265	5.265	5.636	-0.12	4.75
Equity	5	138.0	138.0	148.2	-1.4	5.19
Euro Spec Sits	5	94.80	94.80	101.9	-1.0	0.66
Financial	5	24.18	24.18xd	26.05	-0.36	3.32
Global Opps Inc	5	55.40	56.40xd	59.61	-0.27	0.00
Global Opps Acc	5	55.82	55.82	60.06	-0.27	0.00
Gold & Gen Inc	5	34.31	34.31xd	36.87	-0.43	1.06
Gold & Gen Acc	5	63.95	63.95	68.72	-0.78	1.06
Income	5	85.90	85.90xd	92.49	-0.74	6.70
Japan & General	5	114.5	114.5	123.1	+3.3	0.00
Preference Share	5	17.36	17.36xd	18.70	+0.05	14.19
UK Capital	5	75.74	75.74	81.28	-0.58	4.30
World Income	5	51.82	51.82xd	55.70	-0.10	6.34
Worldwide Capital	5	143.7	143.7	154.6	-0.9	3.54

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

Global Growth Acc	6	87.62	88.36	94.50	-2.71	3.91
Global Growth Inc	6	84.78	84.89	90.80	-1.48	3.91
Global Balanced Acc	6	88.75	89.25	95.46	-1.85	5.05
Global Balanced Inc	6	82.66	83.15	88.93	-1.48	5.05
Value Tst Acc	6½	66.57	67.45	72.95	-1.25	4.75
Value Tst Inc	6½	64.91	65.96	70.54	-1.22	4.75
Intl Pen & Ch'ties Inc	2	84.21	85.50	89.76	-0.58	4.04
Intl Pen & Ch'ties Acc	2	81.26	82.50	86.62	-0.56	4.04

Thornhill Unit Trust Managers Ltd (1200)F
28 St. John's Sq, London EC1M 4AE 071-251 6767

Capital	5	45.08	45.43	48.30	-0.81	-
Overseas	5	38.75	38.92	41.40	+0.32	-

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 0DH 071-493 7262
Dealing 071-493 8545

American Opps	5	38.07	38.07	40.60	-1.38	0.28
(Accum Units)	5	39.18	39.18	41.78	-1.43	0.28
Cash	0	50.63	50.63	50.63	+0.01	13.70
Accum Units	0	50.63	50.63	50.63	+0.02	13.70
European Opps	5	57.24	57.24	60.90	-0.16	0.00
(Accum Units)	5	57.55	57.55	61.23	-0.17	0.00
Far Eastern Opps	5	96.51	96.51	102.93	-1.10	0.00
(Accum Units)	5	97.12	97.12	103.59	-1.11	0.00
Golden Opps	5	25.38	25.38	26.97	-0.96	0.00
(Accum Units)	5	26.11	26.11	27.74	-0.99	0.00
Intl Hi-Yield	5	47.79	47.79	50.84	-0.38	5.45
(Accum Units)	5	51.66	51.66	55.00	-0.36	5.45
Sanyo Japan Tst	5	59.49	59.49	63.36	+1.36	0.00
(Accum Units)	5	59.49	59.49	63.36	+1.28	0.00
Kangaroo	5	22.58	22.58	24.02	-0.43	1.74
(Accum Units)	5	23.57	23.57	25.08	-0.45	1.74
Little Dragons	5	33.77	33.77	36.01	-0.24	0.00
(Accum Units)	5	33.77	33.77	36.01	-0.24	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Oct 17	36.1	37.5	—	2.95
Euro Expt Oct 17	46.1	48.4	—	2.77
Fixed Int Ex Oct 17	43.4	44.5	—	11.31
Japan Expt Oct 17	41.4	43.1	—	0.81
Managed Ex Oct 18	36.6	38.0xd	-0.40	5.61
SE Asia Expt Oct 17	53.8	56.4	—	3.56
Sm Cos Expt Oct 17	29.9	31.3	—	4.27
UK Eqty Ex Oct 17	36.5	38.3	—	5.37

Phillips & Drew Fund Management Ltd

Small Co's Oct 3	587.8	600.6	—	3.55
Do Accum	653.7	701.2	—	3.55
Intl Expt Oct 10	140.7	143.0	—	4.24
UK Index Oct 5	955.0	975.6	—	5.25
Do Accum	1009	1030	—	5.25
Convertible Oct 12	76.77	79.35	—	9.95
World ex UK Index Oct 15	626.1	634.8	—	2.23
Do Accum	626.1	634.8	—	2.23
Japan Index Oct 15	517.5	525.0	—	0.62
Do Accum	518.5	525.9	—	0.62
USA Index Oct 15	701.2	706.4	—	4.03
Do Accum	711.1	716.3	—	4.03
Euro ex UK Index Oct 15	781.6	800.6	—	3.18
Do Accum	793.8	813.0	—	3.18
Pacific ex Jap Index Oct 15	704.4	725.7	—	5.72
Do Accum	740.8	771.3	—	5.99
Managed Exempt Oct 10	89.43	91.07	—	5.55
American Exempt Oct 10	92.60	94.20	—	4.27
European Exempt Oct 10	99.15	100.4	—	4.59
Japan Exempt Oct 10	103.7	104.9	—	0.75
Pacific Basin Oct 10	97.0	100.1	—	4.26

NM Rothschild Asset Management Ltd

NC Managed	51.3	54.6xd	-0.9	4.63
NC Property	174.3	191.2	—	-

J. Rothschild Fund Managers Ltd

Intl Exempt Accum	117.6	128.4	—	4.25

Stewart Ivory & Co Ltd

Salmon PPP Sept 14	232.1	243.3	—	0.00

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Oct 15	82.94	87.75xd	—	4.71
(Accum Units)	85.24	90.18xd	—	4.71

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	883	903	—	2.94
TR Exempt Nth Amer	677	692	—	4.69
TR Exempt Pac Basin	639	649	—	1.94

Clerical Medical/Fidelity International – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Cash	147.2	155.0	—	-
North American	96.9	102.0	-3.5	-
Far East	174.8	184.1	+1.5	-
International	128.7	135.5	-1.7	-
Special Situations	195.7	205.9	-1.7	-
International Income	179.3	188.8	-2.7	-
American Income	92.0	96.9	-3.5	-
European	205.5	216.4	-3.0	-
South East Asia Fund	146.7	154.5	-2.1	-
Japan Fund	110.1	115.9	+1.6	-
Evergreen	76.3	80.4	-0.9	-

Equity & Law
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
Reserve	105.0	110.5	—	-
Balanced (Mixed)	436.5	459.2	-4.0	-
Opportunity	89.5	94.2	-0.7	-
UK Equities	588.8	619.7	-8.2	-
Higher Income	604.7	636.5	-10.1	-
Nth America	169.8	178.7	-5.1	-
Far East	316.5	333.1	+1.9	-
Europe	275.5	289.9	-1.4	-
International	305.7	321.7	-0.9	-
Property	449.3	472.9	+0.5	-

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Income	278.2	293.7	-1.9	4.50
Fixed Interest	69.3	73.2	+2.4	10.50
UK Cap Growth	257.7	272.0	-1.0	-
Global Equity	265.8	280.6	+2.1	-
N. America	177.4	187.3	+3.0	-
Far East	315.9	333.5	-4.0	-
Managed	289.8	305.9	+0.2	-
Deposit	181.0	190.6	---	-
Prime Res.	143.0	150.6	---	-
European	181.7	191.8	+0.9	-

The Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000
LAS Investment Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	210.1	221.2	-1.8	-
UK Equity	358.1	377.0	-3.6	-
Property	273.6	288.0	-1	-
Money Market	200.9	211.5	+0.1	-
Fixed Interest	222.8	234.6	+1.2	-
Japan	274.8	289.3	+4.2	-
North America	85.2	89.7	-2.3	-
International	164.6	173.3	-1.5	-
European	162.3	170.9	-0.8	-

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI Gar European	165.4		-1.3	-
MI Gar British Gwth	184.0		-1.5	-
MI Gar Special Sits	108.0		-1.0	-
MI Gar Smaller Co s	137.8		-1.0	-
MI Gar Australian	57.5		-0.3	-
MI Gar Int Sel Opps	85.2		-0.4	-
MI Gar UK & Int Rec	76.6		-0.9	-
MI Gar Euro Sel Opps	115.0		-0.6	-
MI Gar Am Emer Gwth	82.8		-3.4	-
MI Gar Prac Invmnt	95.4		-0.5	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	298.7	314.5	−3.2	—
UK Equity	377.7	397.6	−3.1	—
Overseas Eq.	280.4	295.2	−4.5	—
Americas	198.9	209.4	−6.8	—
Far East	306.7	322.9	+1.7	—
Property	189.3	199.3	−0.2	—
Fixed Int.	230.2	242.4	+0.5	—
Indexed Gilt	142.8	150.4	—	—
Deposit	171.0	180.0	—	—
Pension Fund (Accum Units)				
Managed	413.6	435.4	−4.4	—
UK Equity	480.4	505.7	−4.7	—
Overseas Eq.	464.8	489.3	−6.1	—
Americas	264.1	278.1	−9.1	—
Far East	510.7	537.6	+2.6	—
Property	232.5	244.8	−0.3	—
Fixed Int.	279.4	294.2	+0.5	—
Indexed Gilt	157.0	165.3	—	—
Deposit	234.6	247.0	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	—	—

Prices Oct. 3 Next dealing Nov 1

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	60.3	63.5	−0.6	—
Stock Market Mngd Fund	56.5	59.5	−0.7	—
Equity Fund	64.9	68.3	−0.9	—
International Fund	49.0	51.6	−0.6	—
European Fund	60.3	63.5	−0.5	—
North American Fund	45.6	48.0	−1.2	—
Pacific Fund	50.8	53.4	−0.2	—
Property Fund	87.4	92.0	—	—
Fixed Interest Fund	52.3	55.1	+0.3	—
Index linked Sec Fund	58.0	61.1	—	—
Deposit Fund	65.6	69.1	—	—
NUAM Retirement Plans				
Mixed Fund	65.3	68.8	−0.6	—
UK Ordinary Share Fd	74.5	78.4	−1.0	—
International Fund	53.4	56.2	−0.5	—
Property Fund	84.4	88.8	—	—
Fixed Interest Fund	62.4	65.6	+0.3	—
Index Linked Sec Fund	61.4	64.6	—	—
Deposit Fund	76.0	80.0	—	—
NUAM (NF)				
Managed Fund	854.7	899.7	−8.0	—
Equity Fund	1791.1	1885.4	−22.1	—
International Fund	129.4	136.3	−1.6	—
Property Fund	553.3	582.5	+0.1	—
Fixed Interest Fund	392.0	412.7	+1.8	—
Index Linked Sec Fund	59.1	62.3	—	—
Deposit Fund	269.7	283.9	+0.1	—

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Total Investment Bond				
UK Equity Initial		129.0	−2.4	—
UK Fixed Int Initial		106.5	−0.2	—
Intl Equities Initial		102.2	+0.4	—
UK Managed Initial		104.5	−1.0	—
Property Initial		164.3	—	—
Money Initial		83.8	—	—
Special Market Initial		94.0	−0.4	—
Japan Equity Initial		76.5	+1.8	—
North American Initial		59.3	−1.9	—
Pacific Initial		59.2	—	—
Technology Initial		79.7	—	—
Nat Resources Initial		44.2	−0.2	—
European Initial		82.0	−0.1	—
Residential Prop Init		93.9	—	—
Swiss Equities Initial		30.2	−0.1	—
Hong Kong Initial		42.7	−0.6	—
UK High Inc Eq Init		58.5	−0.7	—
Int Fixed Interest Init		49.0	—	—
Int Managed Init		49.1	+0.1	—
HIP Managed Init		94.8	−0.5	—
HIP Managed II Initial		84.4	−0.2	—
Broker Funds				
High Performance	60.7	64.0	+0.4	—
Towerhill Mngd Fd Acc	37.3	39.3	−0.8	—
YRA Executive Fd	82.8	87.3	+0.5	—
£ Global Growth Acc	110.1	116.1	+0.5	—
£ High Income Money Acc	131.8	139.0	—	—
IM Balanced		46.1	−0.2	—
H.F. Specialist Fd		113.8	+0.1	—
PEP Acorn II		102.9	+0.1	—
PEP Cautionary		66.9	—	—
AAPS Int Man Fund		108.1	−0.9	—
Andrews-Green Inv Port		77.7	+0.3	—

Individual Pension Funds

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dist)	[illegible]	10.08	—	—
Mngd Portfolio (Stg)	£3.57	3.82	—	—
Baring Currency Fund Ltd				
US Dollar	$14.49		+0.01	—
Sterling	£17.40			—
Deutschemark	DM37.82		+0.01	—
Japanese Yen	Y3782		+2	—
Managed	$41.90	43.99	+0.19	—
Dastrust Management (Guernsey) Ltd				
Dastrust Limited	[illegible]	[illegible]	+0.10	—
Fipart-Cousell Fund Mngrs (Guernsey) Ltd				
Headwill G & B Fd	SFr7.79	7.85	—	2.91
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3454	0.3682	-0.0001	14.12
Govett Far East Inv	$0.868	0.928	+0.002	—
Energy & Resources	$0.661	0.706	-0.009	—
Hambros Fund Managers (CI) Ltd				
Japanese OTC	[illegible]	[illegible]	—	—
Havelet Throgmorton Mngmnt Ltd				
Intl Inv-Stlg High Inc	£9.985	10.450	—	10.09
Intl Inv-Intl High Inc	[illegible]	51.118	—	5.54
Henderson Admin. (Guernsey)				
[illegible]	£0.908			
Balanced Gwth $ Prtflo	$1.795	1.974	+0.021	—
Balanced Gwth £ Prtflo	£1.039	1.116	+0.002	—
Select Mkts $ Prtflo	$1.826	1.975	+0.007	—
Inc & Gwth $ Prtflo	$1.649	1.752		—
High Income £ Prtflo	£0.591	0.626	—	—
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	64.94	69.45	-0.89	2.78

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fuegas Fd Oct 11		£11.38	—	—
UK Trust Oct 11		£8.50	—	—
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£7.79	8.45	—	—
Fleet Street Inv Fd	£7.05	7.48	—	—
Offshore Income Fd Ltd	£8.89	9.35	—	—
[illegible]	£8.99	9.49	—	—
Tattersall Intl Assets	£6.41	6.60	—	—
Tyndall International (Isle of Man) Ltd				
H.I. Gilt/Building	99.5			—
(Accum Shares)	158.6	166.6	-0.5	—
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	165.48	176.10	—	1.0

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.737	0.737	0.793	[illegible]	2.5
Global Income (Inc)	5¼	£0.395	0.395	0.427	[illegible]	4.6
Global Resources R	5¼	£0.329	0.329	0.356	[illegible]	1.3
Currency Fund						
Stlg Premium Income		£10.19		10.20		13.3
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St., St. Helier, Jersey						
Tel: 0534 74689 (Dealing) 0534 75639 (Helpline)						
Facsimile: 0534 79040 Telex: 4192136						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	£1.056	1.070	1.136	[illegible]	—
North American	5	$1.319	1.351	1.434	[illegible]	—
Japanese	5	$1.572	1.582	1.679	+0.04	—
Pacific Basin	5	$2.106	2.126	2.257	[illegible]	—
[illegible]						

MIM Britannia International Limited — Contd. [illegible]

Minerals, Oils Res. Shrs. Fd. Inc. [illegible]

Morgan Grenfell Funds Mgmt (Jersey) Ltd [illegible]

Murray Johnstone (Jersey) Ltd [illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd [illegible]

Northgate Unit Tst. Mngr. (Jersey) Ltd [illegible]

Perpetual UT Mngrs (Jersey) Ltd [illegible]

[illegible]

JERSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar registers further lows

THE DOLLAR received some support from stronger than expected data on September US industrial production and capacity utilisation, but still fell to a record closing low against the D-Mark and to the lowest level for over 21 months in terms of the Japanese yen.

Industrial production rose 0.2 per cent in September, after rising 0.1 per cent in August, while capacity utilisation was 83.6 per cent in September, unchanged from August. The market expected a fall of 0.2 per cent in production and a capacity utilisation figure of about 82.8 per cent.

The US currency hit an all-time trading low of DM1.5040, but speculation about a fall below DM1.50 was not fulfilled after yesterday's economic news was slightly stronger than forecast. The eighth consecutive monthly decline in housing starts, of 0.6 per cent in September, left US building activity at its lowest level since August 1982, but had little affect on trading. The market now awaits today's figures on US trade in August.

Profit-taking also lifted the US unit off the day's lows. In London the dollar finished at a record closing low of DM1.5110, compared with DM1.5155 previously. At the Frankfurt fixing the Bundesbank did not intervene when the dollar was set at a record low of DM1.5058.

It fell to Y125.20 from Y127.20 in London, the lowest close against the yen since early January 1989. In Paris the dollar was fixed at FFr5.0465, the lowest level since April 9, 1981, and finished in London at FFr5.0625 against FFr5.0750 on Tuesday. Against the Swiss franc the dollar fell to SFr1.2725 from SFr1.2785. Its index declined 0.4 to 60.1.

Sterling improved against the dollar and members of the European Monetary System, but weakened against the Swiss franc and the strong yen. There was no important economic news but the market is likely to be nervous this morning ahead of today's UK employment data, amid fears that the underlying rise in average earnings could be 10¼ per cent, compared with 10 per cent previously.

The pound held in a narrow range. It rose to DM2.9700 from DM2.9650 and to FFr9.9475 from FFr9.9325. Sterling also gained 80 points to $1.9650, but declined to SFr2.5000 from SFr2.5025 and to Y246.00 from Y249.00. Its index closed unchanged at 95.0.

In New York, sterling closed 30 points easier at $1.9620.

Within the EMS exchange rate mechanism, the Spanish peseta remained firm at the top of the system. Sterling was the highest of the other members, 0.81 per cent above the lowest placed Italian lira, against Wednesday's 0.71 per cent.

The Australian dollar fell to 77.80 US cents in London from 78.60 cents in Sydney. Dealers said that short-covering had provided support for the local currency in Sydney but that it was likely to weaken unless supported by the Reserve Bank of Australia.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 17	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.032	-3.44	3.97	60
Sterling	0.696904	0.694029	-0.41	0.81	8
Belgian Franc	42.4032	42.4437	0.10	0.29	0
French Franc	6.89509	6.90846	0.19	0.20	-6
Irish Punt	0.767417	0.768886	0.19	0.20	-5
Danish Krone	7.84195	7.86251	0.26	0.13	-8
German D-Mark	2.05586	2.06216	0.31	0.08	-14
Dutch Guilder	2.31643	2.32385	0.32	0.37	-11
Italian Lira	1538.24	1544.23	0.39	0.00	-15

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct 17	Close	Previous Close
£ Spot	1.9615-1.9625	1.9645-1.9655
1 month	0.96-0.93pm	0.99-0.97pm
3 months	2.72-2.69pm	2.64-2.61pm
12 months	8.38-8.28pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 17	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Oct 17	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). [illegible]

CURRENCY RATES

Oct 17	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Oct 17	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1394.55 - 1417.05	712.80 - 718.40
Kuwait	N/A	N/A
Luxembourg	61.05 - 61.15	31.05 - 31.15
Malaysia	5.3035 - 5.3165	2.6960 - 2.6980
Mexico	5726.50 - 5749.10	2911.00 - 2921.00
N.Zealand	3.2685 - 3.2735	1.6610 - 1.6640
Saudi Ar	7.3480 - 7.3680	3.7490 - 3.7495
Singapore	3.3775 - 3.3890	1.7155 - 1.7175
S.Af (Cm)	4.9760 - 4.9885	2.5280 - 2.5290
S.Af (Fn)	7.4205 - 7.5630	3.7735 - 3.8460
Taiwan	53.60 - 53.70	27.25 - 27.30
U.A.E.	7.1930 - 7.2185	3.6700 - 3.6735

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Oct 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9570 - 1.9725	1.9645 - 1.9655	0.96-0.94cpm	5.80	2.73-2.70pm	5.53
Canada	[illegible] - 2.2960	2.2950 - 2.2960	0.34-0.24cpm	1.52	0.81-0.67pm	1.29
Netherlands	3.33¾ - 3.36	3.34 - 3.35	1⅞-1½cpm	5.61	4⅞-4⅛pm	5.16
Belgium	60.85 - 61.30	61.05 - 61.15	28-23cpm	5.01	79-69pm	4.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]. 12 Month [illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.005	1.975	2.986	247.3	10.	2.513	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.400	0.786	1.188	98.40	3.979	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.587	0.888	73.54	2.974	0.747	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.450	0.884	1.336	110.7	4.475	1.12	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.436	0.856	1.294	107.2	4.334	1.08	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.637	3.216	4.861	402.6	16.28	4.09	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU; FT-SE 100 INDEX

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND - $ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9650	1.9555	1.9378	1.9166	1.8818

IMM - STERLING $ per £

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	1.9466
Mar	[illegible]	[illegible]	[illegible]	1.9222
Jun	[illegible]	[illegible]	[illegible]	1.9028

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate); CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.1% Savewise 7.7%. Top Tier-£50,000+ instant access 13.7% § Mortgage base rate.

MONEY MARKETS

Slightly softer tone

THERE WAS a softer tone to wholesale interest rates in London yesterday as sterling steaded on the foreign exchanges. Day-to-day credit conditions remained tight however keeping short rates firm. The Bank of England forecast a large credit shortage, but did not offer early assistance, leaving overnight money well above the current level of bank base rates.

UK clearing bank base lending rate 14 per cent from October 8, 1990

Three-month sterling interbank was quoted at 13⅞-13¾ per cent against 13⅞-13¾ and 12-month money eased to 13$\frac{1}{16}$-13 per cent from 13⅛-13$\frac{1}{16}$, but overnight funds were firm at 14$\frac{3}{16}$-14$\frac{1}{16}$ per cent before the daily help.

Short sterling futures traded quietly on Liffe, holding in a narrow band, as hopes of early cuts in bank base rates have faded. December delivery opened higher at 86.73 and closed at 86.69 compared with 86.71 previously.

The Bank of England initially forecast a money market shortage of £900m, but revised this to £1,000m at noon and to £950m in the afternoon.

Total help of £842m was provided. Before lunch the authorities bought £352m bills by way of £15m Treasury bills in band 1 at 13⅞ per cent; £30m bank bills in band 1 at 13⅞ per cent; £9m Treasury bills in band 2 at 13¾ per cent; £10m local authority bills in band 2 at 13¾ per cent; and £288m bank bills in band 2 at 13¾ per cent.

In the afternoon another £250m bills were purchased, via £96m bank bills in band 1 at 13⅞ per cent; £3m Treasury bills in band 2 at 13¾ per cent; and £151m bank bills in band 2 at 13¾ per cent. Late assistance of around £240m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £752m, with exchequer transactions absorbing £10m; a rise in the note circulation £70m; and bank balances below target £70m.

In Paris the Bank of France left its money market intervention rate at 9.50 per cent when injecting funds at a securities repurchase tender. The five to 10-day repurchase rate stayed at 10.25 per cent.

In Frankfurt call money was steady at 8.05 per cent after the Bundesbank allocated a total of DM24.1bn at this week's securities repurchase agreement tender. The central bank supplied DM15.9bn of 28-day funds and 8.2bn of 63-day money to offset expiring pacts of DM22.3bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.17)	3 months US dollars		6 months US Dollars	
	bid 8¼	offer 8⅜	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm

Prime rate	10	One month	[illegible]	Two year	8.08
Broker loan rate	9¾	Two month	[illegible]	Three year	8.26
Fed.funds	[illegible]	Three month	[illegible]	Five year	8.36
Fed.funds at intervention	[illegible]	Six month	[illegible]	7-year	8.62
		One year	[illegible]	10-year	8.75
				30-year	8.89

Oct 17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Oct 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13⅛
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12⅞
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13⅛
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13⅛
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.30
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅞
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅝
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10⅛
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10⅛

Treasury Bills (sell): one-month 13¼ per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months 13 per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 8, 1990. Agreed rates for period Oct 24, 1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: [illegible] p.c. Reference rate for period Sept 1, 1990 to Sept 28, 1990, Scheme IV & V: [illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate [illegible] from October 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month [illegible] per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 [illegible] per cent from Oct 9, 1990. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gr Equiv	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

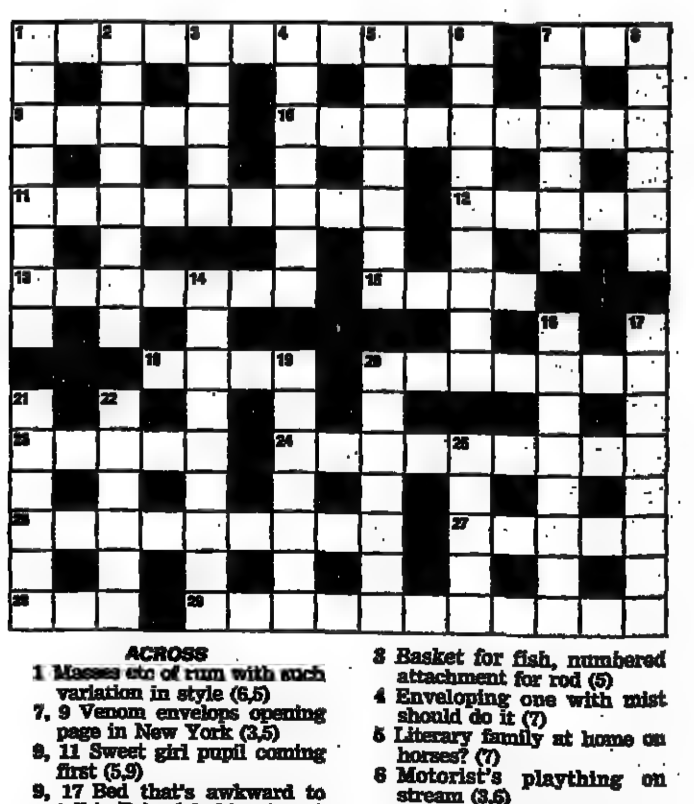
Money Market Bank Accounts

	Gross	Net	Gr Equiv	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,370 Set by CINEPHILE



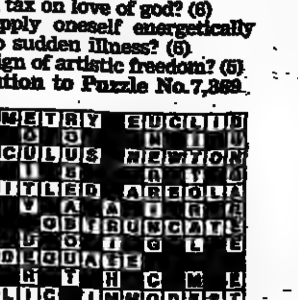
ACROSS

1 Masses etc of rum with such variation in style (6,5)
7, 9 Venom envelops opening page in New York (3,5)
8, 11 Sweet girl pupil coming first (5,9)
9, 17 Bed that's awkward to tell in Bristol fashion (5-3, 5)
10 Put fat in ground and mix in (9)
11, 12 Hunt around right and left for beast taking American food (9,5)
13 Bright type comes again with skittle (1,3,3)
15, 9 Nothing with fruit can make ketchup (4,5)
18, 9 Andy holds Butler by the French tree (4,5)
20 Baroque artist put Swiss city in Italy (7)
23 A bit of a bloomer, putting a pound on favourite (5)
24 Dress circle hired by .... for opera (9)
26 Didn't win them all without publicity, being centre of attraction (9)
27, 9 Crooked beak, spotted, gets stuffed (5,5)
28, 9 Gall that had its day (3,5)
29 Novel sails furled by heartless sailor (5,6)

DOWN

1 Drawer for tea: pass outside one (8)
2 Turned up with candle, also ran (8)
3 Basket for fish, numbered attachment for rod (5)
4 Enveloping one with mist should do it (7)
5 Literary family at home on horses? (7)
6 Motorist's plaything on stream (3,6)
7 Islands surrounded by hillside heat up slowly (6)
8 Fly to obtain contrivance (6)
14 Lays off in capital, result of traffic jams? (9)
16 Interest in ministry is wrong (8)
17 See 9
19 Piece of music with present learner a bird (4,3)
20 Size begins with S, strangely (7)
21 A tax on love of god? (6)
22 Apply oneself energetically to sudden illness? (6)
25 Sign of artistic freedom? (5)

Solution to Puzzle No.7,369



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

October 17	Dm.	+ or −
BMW	415	−6.5
Bayer-Vereinsbk	339	−3
Beiersdorf	688	+4
Berliner Kraft	130	+0.3
BHF-Bank	377	−5
Bilfinger & Berg	822	+2
Brown Boveri	775	−5
Colonia Versich	1,100	+30
Do. Pref.	580	+15
Commerzbank	225.5	−5.5
Continental AG	248	−9
DLW	536	----
Daimler-Benz	604	−7
Degussa (Fr.)	145	----
Degussa	324.3	−9.7
Deutsche Babcock	144	−4
Deutsche Bank	610.8	−4.7
Didier-Werke	176	−4
Douglas Hldgs	820	+3
Dragerwerk	282	+7
Dresdner Bank	377	−5
Fag Kugelfischer	290.5	−6.5
Gerresheimer	268	+8
Goldschmidt (TH)	660	−10
Hamburg Elekt	189	+1
Hapag Lloyd	350	----
Heidelberger Zem	1,050	−55
Henkel Pref.	580	−0.1
Herlitz	363	+1
Hochtief	1,250	−18
Hoechst	197.1	−5.4
Hoesch	216	−3
Holzmann (P)	1,330	−20
Horten	213	+1
Industriekredit	273.5	−3.5
Industrie Werke	279.9	+2.9
Kali & Salz	157	−1
Karstadt	630	−3
Kaufhof	539	−5
KHD	172	−3.5
Kloeckner Werke	127	−4.5
Kraft Werke Rh	297	----
Lahmeyer	1,030	+10
Leffbalk	710	----
Linde	770	−7
Lufthansa	108	----
Do. N/V Pref.	100	+1
MAN	349	−1
Do. Pref.	280	+1

[illegible]

ITALY

[illegible]

ITALY (continued)

October 17	Lire	+ or −
SASIB	6,735	−5
Sirti Spa	10,397	−18
SME	1,181	----
Snia BPD	1,502	−16
Toro Assicur	21,010	−40
Tosi Franco	29,350	+150
Unicem	9,900	−140

NETHERLANDS

October 17	Fls.	+ or −
ABN Amro Hldgs	31.60	+0.1
ACF Holding	32.40	+0.3
AEGON	113.00	−0.3
Ahold	127.10	−0.4
AKZO	78.30	−0.9
AMEV	46.50	+0.2
Bols Lucas	171.20	----
Bossumlj Wehry	72.50	−0.5
Buehrmann-Tet	54.30	−0.3
Centrale Suiker	83.00	+1.5
DAF	21.50	−0.5
DSM	83.20	−0.8
Deutsche Petroleum	125.50	−0.1
Elsevier Dp Rcts	76.90	−0.1
Fokker	34.80	−0.3
Gamma	86.00	+0.7
Gist Brocades	25.30	+0.4
Heineken	121.20	−0.8
Holl. Beton	166.50	−0.5
Hoogovens	51.10	+0.1
Hunter Douglas	61.20	----
IHC Calland	52.80	−0.7
Int. Mueller	74.50	−1
KLM	20.30	−0.2
Kempen	9.30	−0.4
KNP	40.0	−0.3
NMB Postbank	39.30	+0.4
Nat Ned Cert.	51.30	----
Nedlloyd	40.80	+1
Nijverdal-Ten Ct.	96.50	----
Nutricia Ver B.	118.50	−2
Oce Grinten	37.70	−0.3
Ommeren (Van)	40.30	+0.4
Pakhoed	128.00	−0.5
Philips	20.90	−0.2
PolyGram	31.90	+0.3

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

October 17	Kroner	+ or −
AGA B (Free)	268	−7
Alfa-Laval B (Free)	180	−5
Asea B (Free)	565	−30
Astra B (Free)	480	−17
Atlas Copco A (Free)	175	−8
Electrolux B (Free)	150	−6
Ericsson B (Free)	200	−10
Esselte B (Free)	151	−2
Gambro B Free	130	−4
Mo Och Dom B Free	155	−5
Nobel Free	65	−2
Procordia B (Free)	135	−6
Saab-Scania B Free	165	−8
Sandvik B (Free)	208	−2
Skandia	135	−14
Skan Enskilda	61	−1.5
SKF B Free	87	−5
Stora Kopp B Free	198	−12
SCA B (Free)	83	−2
Svka Handelsbn.	103	−10
Trelleborg B Fr	115	−5
Volvo B (Free)	280	−8

SWITZERLAND

October 17	Frs.	+ or −
Adia Intl	965	−35.0
Do. Ptg.Certs.	108	−2.0
Alusuisse Lonza	1,000	----
Do. Ptg. Certs.	80	----
Baloise Hld Ptg	1,890	−20
Brown Boveri	4,460	−10
Do. Ptg.	840	−10
CS Hldgs.	1,810	−5
Ciba Geigy	2,380	−40
Do. (PtCts)	1,920	−10
Elektrowatt	3,150	−10
Elvia	1,710	−10
Fischer (Geo.)	1,360	−25
Do. Ptg.	212	+1
Forbo	1,875	−5
Holderbank (Br)	4,810	−30
Holzstoff (Br)	4,850	----
Jelmoli	1,640	−35
Do. Ptg. Certs	335	----
Landis and Gyr	1,000	−35
Do Priority Ptg	94	−3

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. §d Unavailable. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices October 17

[illegible]

Sales	Stock	High	Low	Close	Chng
29115	Scepre	400	390	390	
900	Scot Paper	$16	16	16	− ⅛
1450	Scotts I	$12¼	12⅛	12⅛	+ ⅛
16230	Seagram	$85⅞	85¼	85⅞	+ ⅜
224625	Sears Can	$11⅛	10⅝	11⅛	+ ½
9500	Shell Can	$36¼	35½	35½	− ⅝
1380	Sherritt	$5⅝	5⅝	5⅝	− ⅛
500	Sceo	$6½	6½	6½	

† - No voting rights or restricted voting rights.

MONTREAL

Closing prices October 17

[illegible]

Sales	Stock	High	Low	Close	Chng
2548	Memotec	$07½	07½	07½	− ⅛
9374	MetDs Cde	$18⅝	18½	18½	− ⅛
15405	Power Corp	$15	14¾	14⅞	− ⅛
6298	Provigo	$09⅛	09	09⅛	
100	Quebecr A	$11⅛	11⅛	11⅛	− 1
1400	Quebecr B	$10⅛	10⅛	10⅛	
4430	Videotron	$09⅞	09⅝	09⅝	− ⅛

Total Sales 4,370,980 shares.

INDICES

NEW YORK

DOW JONES	Oct. 17	Oct. 16	Oct. 15	Oct. 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2387.87	2381.19	2416.34	2398.02	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.74	88.82	89.03	88.86	93.04 (3/1)	88.44 (24/8)		
Transport	821.93	823.41	832.29	829.70	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	207.49	206.55	206.99	205.86	236.23 (2/1)	198.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2418.56 (2431.43) Low 2358.17 (2366.83)

STANDARD AND POOR'S	Oct. 17	Oct. 16	Oct. 15	Oct. 12	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	298.76	298.92	303.23	300.03	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	349.98	350.09	355.03	351.42	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	19.28	19.46	19.92	19.68	31.87 (3/1)	19.24 (11/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	163.59	163.64	165.84	164.42	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	289.15	290.32	293.27	291.97	382.45 (5/1)	289.13 (17/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	326.78	325.44	329.54	327.56	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 12	Oct. 5	Sep.28	year ago (approx.)
Dow Industrial Div. Yield	4.23	4.04	4.14	4.01
	Oct.10	Oct. 3	Sep.26	year ago (approx.)
S & P Industrial div. yield	3.56	3.42	3.49	3.20
S & P Indl. P/E ratio	14.28	14.85	14.55	13.00

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Citicorp	11,268,800	12⅝	− ⅛
Sallie Mae	3,993,300	35⅛	− ⅜
Pepsico	2,451,200	22⅝	− ⅝
Philip Morris	2,362,300	45	− ⅛
Wal-Mart	2,282,200	25	− ⅛
Waste Mangmt	1,943,800	29⅝	+ ⅜
Shaw Ind	1,923,300	16⅛	+ ⅞
Gen Electric	1,836,700	52⅝	+ 1⅛
Am Express	1,760,200	17⅞	− 1⅛
Beverly Ent	1,513,100	6⅞	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Oct. 17	Oct. 16	Oct. 15
New York	161.260	151.500	164.980
Amex	10.076	11.139	10.350
NASDAQ	(a)	117.130	104.220
Issues Traded	1,965	1,977	1,974
Rises	658	472	793
Falls	832	1,072	741
Unchanged	475	433	440
New Highs	6	5	4
New Lows	254	278	209

CANADA TORONTO	Oct. 17	Oct. 16	Oct. 15	Oct. 12	1990 HIGH	1990 LOW
Metals & Minerals	2598.61	2588.00	2634.60	2624.74	3453.05 (4/1)	2588.00 (16/10)
Composite	3023.38	3009.91	3032.84	3047.94	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1616.26	1607.24	1616.66	1622.54	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 17	Oct. 16	Oct. 15	Oct. 12	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1341.7	1336.9	1321.4	1326.1	1713.7 (2/1)	1321.4 (15/10)
All Mining (1/1/80)	639.2	642.4	635.6	640.3	860.8 (5/1)	635.6 (15/10)
AUSTRIA						
Credit Aktien (30/12/84)	452.24	455.80	460.14	441.05	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5095.94	5141.50	5120.66	5088.61	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	(c)	340.49	339.87	338.33	388.29 (28/7)	331.42 (27/9)
FINLAND						
Unitas General (1975)	413.7	416.8	417.8	419.8	677.3 (23/3)	413.7 (17/10)
FRANCE						
CAC General (31/12/82)	431.10	432.64	431.34	422.45	564.62 (30/3)	410.18 (26/9)
CAC 40 (31/12/87)	1616.00	1601.92	1598.92	1575.70	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	617.96	625.70	629.28	624.47	882.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1770.8	1793.2	1804.9	1791.7	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1440.79	1460.72	1478.89	1459.70	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2958.54	2949.57	2916.38	2815.26	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1286.45	1285.63	1279.97	1271.66	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	552.69	553.71	552.89	554.74	763.52 (14/6)	552.69 (17/10)
JAPAN						
Nikkei (16/5/49)	23859.36	23606.10	23109.20	22390.16	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1753.34	1731.69	1706.35	1663.69	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3060.98	3066.92	3047.94	3028.69	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	467.89	477.49	471.22	632.22 (1/8)	454.05 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	231.8	232.1	232.2	232.4	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.2	170.4	170.5	170.6	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	738.02	731.97	738.18	756.18	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	540.93	535.66	537.45	545.18	1160.78 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	304.89	306.40	303.08	446.07 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1358.04	1346.0	1396.0	1445.0	2230.0 (16/1)	1322.0 (28/9)
JSE Industrial (28/9/78)	2640.06	2658.0	2674.0	2675.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	653.96	638.29	646.39	635.74	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	222.95	219.45	218.03	(c)	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	(u)	953.5	964.1	(u)	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	648.5	651.2	650.8	647.8	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2767.21	2768.89	2688.6	2620.85	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	646.99	653.80	652.75	642.37	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (∞)	459.4*	454.1	454.1	448.0	571.0 (4/1)	423.1 (28/9)

**Saturday October 13: Taiwan Weighted Price: 2655.65 Korea Comp Ex. 626.96

& Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 17 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
MHI	23.1m	749	−1	Sato Kogyo	15.1m	1,490	+90
Nippon Steel	19.6m	442	+14	Kobe Steel	15.6m	590	+1
IHI	18.4m	759	+37	Marubeni	14.6m	714	+14
Honshu Paper	17.5m	2,050	+300	Sumitomo Mtl	13.1m	465	+27
Iseki Co	16.2m	1,270	+40	Nikkiso	9.4m	1,420	+50

4pm prices October 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

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NASDAQ NATIONAL MARKET

3pm prices October 17

[illegible]

AMEX COMPOSITE PRICES

4pm prices October 17

[illegible]

FINANCIAL TIMES Thursday October 18 1990

AMERICA

Lower oil prices offset several depressing factors

Wall Street

CONCERN about the progress of the budget, the Middle East crisis and declining corporate results offset the positive effect of lower oil prices to leave equities trading in a mixed range yesterday, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average ended 6.68 up at 2,387.87, after gaining more than 24 points at mid-session. However, the overall tone of the market was negative, with the Standard & Poor's 500 losing 0.17 to 298, while on the big board declining issues led rises by 832 to 658. On Tuesday the Dow fell 35 points.

Equities took strength as November crude oil was quoted $2.17 a barrel lower at $36.57 at mid-session – rising oil prices contributed to Tuesday's market decline.

Stock prices were also helped by a 0.2 per cent increase in industrial production in September, which follows a 0.1 per cent improvement in August and indicates that the economy may not be as soft as previously thought.

However, lower earnings prompted selling in a number of issues. Student Loan Marketing Association (Sallie Mae) fell $2¼ to $35⅝ in active trading. It dropped $6⅝ late on Tuesday on reports that Federal officials have started investigating the association's Lawrence, Kansas, office to see if it had bought worthless loans to inflate assets and boost the company's stock price. Sallie Mae has denied the allegations.

In the banking sector, Citicorp eased $⅛ to $12⅞ in heavy volume following weak first-quarter results.

NCNB, the south-eastern US regional banking group, declined $1 to $20½ after reporting a drop of about 60 per cent in third-quarter earnings. Fleet/Norstar Financial, the north-eastern regional banking group, lost $⅝ to $10⅝ on equally depressed results.

First City Banc of Texas plunged $2⅛ to $5⅞ after announcing third-quarter losses of $5.87 a share, compared with earnings of $1.19 the previous year, and Continental Bank dipped $⅝ to $7⅝ on lower third-quarter net income.

PepsiCo receded $1⅛ to $22⅝ on reports that its stock rating had been downgraded by Salomon Brothers. Coca-Cola, which reported a rise in third-quarter net income, softened $⅛ to $41⅞.

Philip Morris gained $⅛ to $45 on a 24.7 per cent rise in third-quarter per share earnings.

Shaw Industries, which also revealed a decline in first-quarter earnings, rose $⅛ to $16⅛.

Itel fell $1⅛ to $8⅝. Shares in the company rose $⅝ to $11⅞ on Monday when Itel said it would sell its multi-purpose container leasing and services assets to a General Electric subsidiary.

Secondary issues moved higher thanks to a rebound in technology shares, which led the decline in over-the-counter stocks on Tuesday. The NASDAQ composite was 1.34 higher at 326.78.

Apple Computer recouped some of Tuesday's losses to close $1⅛ better at $26⅛. Microsoft regained Tuesday's fall of $1⅞ to stand at $56⅛.

Quantum moved ahead $1⅞ to $14½ after NCR selected the company's hard disk drives to use in its personal computers. MCI lost $1⅛ to $29⅝ on weak third-quarter results.

Canada

A RALLY in the golds sector helped the Toronto composite index to improve 13.5 to 3,023.4, breaking a string of nine consecutive losses.

Eight of the 14 sub-indices rose, but overall falls outscored advances by 317 to 240 after a moderate volume of 21.8m shares, against Tuesday's 24.3m. Energy issues eased.

Canadian Pacific Forest was up C$⅛ to C$14⅞ and MacMillan Bloedel rose C$⅛ to C$14⅞ in spite of poor third-quarter results.

Activity dries up as Gulf tensions increase

Peter John explains the sudden decline in European trading volumes last month

THE TWIN headlights of oil prices and Gulf tension have caught Europe's stock markets like startled rabbits, freezing them into relative immobility. In September, volume in Germany was the lowest since May 1989 and in Italy it nearly halved from the August level.

The share price slump began in August, but its effect on trading was masked in that month, as the invasion of Kuwait prompted a rash of heavy selling by institutional investors, who saw cash as their main safe haven.

September saw the full effect of the crisis, poor company results and prospects, and worries about economic recession, with equity volume down everywhere.

In the first half of the month markets were sold in very low volume. During the second half they continued to fall but volume picked up again. There was also a bounce at one stage as oil came down from $40 a barrel to $35.

Mr James Cornish, a strategist at County NatWest, the UK securities house, comments: "Investors have been scared off by the Gulf, and by uncertainty as to whether oil prices are going to be $60 or $20 in three months' time."

In Germany, where turnover fell by DM61.2bn, or 43 per cent, to DM81.6bn last month, Middle East and oil price worries have been exacerbated by the realisation that unification will cost far more than previously thought. "In July people were talking about a 1990 figure of DM110bn for the general public sector deficit, but by mid-September that figure had risen to DM130bn," says Mr Cornish.

The economy is still strong but international companies – particularly in the chemicals sector – are affected by the weak dollar.

France may not be saddled by unification costs, but it is nervous about recession. Daily volume was well down at the beginning of last month and crept up towards the end.

The worst performance came from Italy, where September's *turnover of L10,645bn* was down by almost 50 per cent from the August level. The Milan equity market felt a greater than average impact from the rise in oil prices because Italy imports a higher percentage of its energy – about 80 per cent.

It is also more vulnerable to high interest rates because of a big budget deficit.

Analysts say that unless the government does *something* about the deficit, which will mean harsh decisions in the form of budget cuts and unemployment, the amount paid to service the debt will continue to rise.

Italian investors have moved from scepticism to disbelief, but strategists say that it is too early to predict the end of the Italian economic miracle, which manages to trundle on in spite of ever present rumours of crisis.

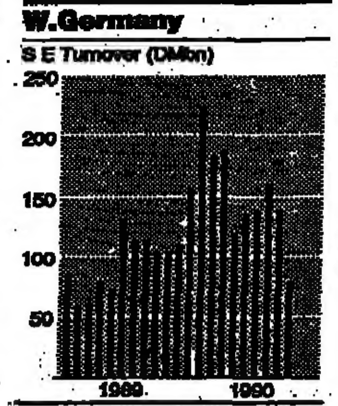
Mr Enrico Ponzone of Kleinwort Benson, the UK merchant bank, says: "People do not know what to do. There are no buyers so the sellers are scared off. The budget deficit and political uncertainty are adding to worries over the Gulf and oil. When the market lacks direction it tends to blow the domestic issues out of all proportion." He concludes: "However, I do not think the volume can get much lower."

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jun 1990	Jul 1990	Aug 1990	Sep 1990	US $bn
Belgium	43.7	37.0	43.9	23.8	0.74
France	101.4	99.9	115.4	83.4	15.78
Germany	142.2	159.6	142.8	81.6	51.78
Italy	25,572	20,667	20,840	10,645	9.11
Netherlands	11.4	12.2	17.9	11.2	6.29
Spain	616.0	834.0	518.0	376.0	3.86
Switzerland	15.5	15.1	16.1	12.5*	9.55
UK	27.4	26.7	29.8	21.1	39.97

Volumes represent purchases and sales. *Swiss data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest WoodMac.

W.Germany



EUROPE

Paris welcomes return of speculative talk

THERE WAS a buzz of speculation in Paris yesterday before announcements by Michelin and Axa-Midi, due today, while *Stockholm* fell 3.8 per cent on fears of forced selling, *writes Our Markets Staff.*

PARIS was unimpressed by a smaller-than-expected 0.15 percentage point cut in the base rate, but Wall Street's early gains helped the market end higher. The CAC 40 index rose 14.08 to 1,616.00 in turnover estimated at no more than Tuesday's FFr2bn.

Michelin, the tyremaker, attracted further speculation before its analysts' meeting today. It was active, with 543,750 shares traded, and the day's biggest riser, adding FFr4.20 or 5.9 per cent to FFr74.80. The stock has risen 16.7 per cent this week.

There were rumours of a plan to change non-voting shares into voting shares to make a rights issue more palatable, and an announcement of new products such as an environmentally friendly tyre.

Axa-Midi, the insurer, was suspended at FFr198 until tomorrow, pending an announcement. The company is due to hold a news conference today at 14.00 GMT. There was speculation that Axa might be looking to make an acquisition in the UK or US, with Prudential's Mercantile and General of the UK mentioned, or that Generali might be seeking to raise its stake.

Rémy et Associés rose FFr7.20 to FFr256 after news of a complex tie-up with Highland Distilleries.

STOCKHOLM tumbled following newspaper articles which suggested that some stockbrokers' clients who had borrowed against their share positions might be forced to sell to meet their debt repayments and comply with higher margin demands.

"This is very bad news for a highly nervous market," said Mr Roddy Bridge of UBS Phillips and Drew. The Affärsvärlden General index dropped 36.1 or 3.8 per cent to 917.4.

A string of poor corporate results and profit warnings from companies, as well as fears of a currency devaluation, weighed on prices.

Modo B free shares fell SKr5 to SKr155 after the company said it expected a decline of up to 40 per cent in its full year net profit.

MILAN fell across the board in thin trading. Floor traders have planned a strike for today to protest against the government's delay in approving stock market reforms. Traders blamed this delay for the increase in turnover in Italian shares in London. The Comit index slipped to yet another 1990 low of 552.69, down 7.30.

Fiat fell L85 to L6,245. Company officials have apparently hinted to analysts that their earnings estimates, which have been downgraded several times this year, are still too high.

Trading in the Ferruzzi group was lively, with Agricola rising L41 to L2,011. In the banking sector, Mediobanca gained L40 to L14,650 on rumours that Paribas, the French bank, was planning to take a 2 per cent stake.

FRANKFURT saw another fall in light trading, with the DAX index closing 19.98 or 1.4 per cent down at 1,440.79 and the FAZ ending 7.74 off at 517.96. Turnover eased to DM3.1bn – the lowest for a month – from DM3.8bn.

Enthusiasm generated by the regional elections had died away and the market was once again responding to the Gulf tension and the weakness of the dollar, which fell to a new low against the D-Mark.

Chemical stocks suffered after BASF announced that it was to cut its annual bonus to employees – interpreted as a sign that it would announce lower profits and cut its dividend. BASF lost DM5.10 to DM203, Bayer shed DM7.20 to DM212.50 and Hoechst eased DM3.40 to DM197.10.

AMSTERDAM fell initially as the dollar dropped further but was propped up towards the close by short-covering linked to the expiry of October options. The CBS Tendency index was steady at 95.6 after losing 0.4 in mid-morning.

ZURICH took its cue from Frankfurt although selling was modest. The *Credit Suisse* index dropped 5.4 to 465.8.

THE NORDIC index fell again last month, plunging 15.8 per cent, according to statistics compiled by the Oslo bourse on behalf of the four Nordic exchanges, writes Karen Fossli in Oslo. This compares with a European fall of 11.5 per cent in local currency terms.

For the second month running, Stockholm was the biggest loser, falling 20.9 per cent. In August, Sweden's inflation rate broke through the 11 per cent level, making it among the highest in Europe and the worst the country has seen in nearly a decade.

Copenhagen, where inflation is relatively low and the balance of payments has improved, fell just 7.9 per cent last month. About 75 per cent of Danish energy needs are met domestically. Helsinki fell 17 per cent: the Unitas all-share index has been falling since autumn 1989 amid economic gloom.

Norway fell 10.6 per cent in September, in spite of being Europe's biggest oil producer and exporter after the UK, amid fears that the tripartite coalition government might be breaking up.

Oslo was the most liquid bourse of the four in September for the third month running, turning over 24.8 per cent of its market capitalisation, or $32.7bn, in September, compared with $31.8bn a month earlier. The combined turnover of Nordic stocks hit $3.18bn last month, down from $4.65bn.

ASIA PACIFIC

Nikkei gains for third day on strong yen and bonds

Tokyo

THE YEN's rise and higher bond prices helped the Nikkei index to make its third consecutive gain yesterday, breaching the 24,000 level at one stage, *writes Michiyo Nakamoto in Tokyo.*

Yesterday's advance marked the first three-day rising streak for the market in three months. The Nikkei average closed up 253.26, or 1.1 per cent, at 23,859.36.

Prices started higher but fluctuated in early trading as profit-taking hit the market. Active arbitrage between the cash market and the higher futures market, however, helped shares regain their upward momentum.

Solid gains in intraday trading saw the Nikkei average reach a high for the day of 24,053.94 – the first time in a month that it has broken through 24,000. The day's low was 23,551.46.

Advances outpaced falls by 626 to 356 and 129 issues were unchanged. Volume expanded to 600m shares from Tuesday's 500m. The Topix index rose 21.65 to 1,758.34, but in London the ISE/Nikkei 50 index shed 6.73 to 1,370.46.

The market's resilience came as a pleasant surprise to still cautious participants. Mr Mitsuru Maekawa at Jardine Fleming said: "The fall was unexpectedly strong, so it is not surprising that the rise has been unexpectedly firm. But it is questionable whether we can hope for a full-scale rebound."

While the yen's surge has been a boon to the bond market, helping to spread the view that domestic interest rates have peaked, few analysts were betting on a significant fall in domestic rates in the near term.

As a result, few were ready to say that the market was on the solid road to recovery. Activity was dominated by dealers, with only a few institutional investors prepared to test the waters, and there were continuing fears that institutional profit-taking would hit the market at higher levels.

A shift in attitude towards a new land tax supported issues with property assets. The tax, currently being studied, had been expected to hurt companies with substantial property near urban areas, but it now looked less likely to be a major burden, said one analyst.

The new outlook boosted Ishikawajima Harima Heavy Industries, which has considerable property on the Tokyo waterfront. The stock came third in volume terms and gained Y37 to Y739. It was also supported by an expected doubling of pre-tax profits for the business term to March 1991. Another winner was Mitsui Real Estate, which climbed Y70 to Y1,320.

Hopes of increased infrastructure spending attracted foreign investors to related issues, analysts said. Sato Kogyo was up Y90 at Y1,490 and Toda Construction, which was also favoured for its low price/earnings ratio, advanced Y40 to Y1,770.

Recently popular pharmaceuticals succumbed to profit-taking. Daiichi Pharmaceutical was down Y30 at Y2,430 and Sankyo lost Y30 to Y2,460.

Osaka saw interest in large-capital issues and constructions. The OSE average added 276.50 at 27,076.79 and volume rose to 42.6m shares from Tuesday's 40m.

Roundup

TOKYO'S rise boosted Pacific Rim markets yesterday. Kuala Lumpur and Singapore were closed for a religious holiday.

AUSTRALIA climbed for the second consecutive day following Monday's cut in interest rates and an easing in the Australian dollar. But gold shares were weak following the drop in bullion prices.

The All-Ordinaries index put on 4.8 to 1,341.7, while the gold marker tumbled 46.9 to 1,257.2. Turnover increased to A$196m from A$179m.

Elders IXL shed 2 cents to A$1.21, but was up from a day's low of A$1.17, after the UK Department of Trade and Industry said Elders' pubs-for-brewing assets swap with Grand Metropolitan would be against the public interest in its original form and would have to be modified.

NEW ZEALAND posted its third gain in as many days and gave its best daily performance in about two weeks as the New Zealand dollar steadied against its Australian counterpart. The Barclays index advanced 17.57 to 1,372.49. Turnover grew to NZ$12.2m from NZ$8.2m.

SEOUL rose sharply amid heavy late buying by individuals on unconfirmed reports that the ruling party was considering accepting opposition party demands for local elections before 1992.

The composite index moved ahead 15.67 to 653.96 on a strong volume of Won207.7bn.

HONG KONG edged higher in the best volume in more than two weeks as investors took an interest in second and third-liners.

The Hang Seng index put on 8.97 to 2,958.54. Turnover rose to HK$834m from HK$650m.

MANILA gained ground on professional buying but trading was thin. The composite index firmed 5.27 to 540.93.

TAIWAN was mildly lower on profit-taking. The weighted index eased 0.88 to 2,767.21. Volume picked up to T$21bn from T$18.8bn.

SOUTH AFRICA

JOHANNESBURG made a small recovery as bullion prices steadied. There was isolated demand for quality gold and industrial stocks. The gold index ended 12 up at 1,358, off a day's high of 1,370, while the all-share index fell 6 to 2,578.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	WEDNESDAY OCTOBER 17 1990: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY OCTOBER 16 1990: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (125)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (454)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (300)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (533)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (985)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (626)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1622)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (663)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (685)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (202)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1815)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2048)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2288)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1894)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2348)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Constituent change 17/10/90: Name change: Avery Intl to Avery Dennison (US). Markets closed October 17: Malaysia and Singapore.
Amendments to indices for October 16 applied to Italy, related regional indices and The World Index